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This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into any agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

This announcement and the listing document referred to herein have been published for information purposes only as required by the Listing Rules (as defined below) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever. *For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Company (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

*This announcement is solely for the purpose of reference and does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the securities are being offered and sold only outside the United States in offshore transaction in compliance with Regulation S under the Securities Act.*

Notice to Hong Kong investors: *The Company confirms that the Notes (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and the Programme (as defined below) has been, and the Notes (to the extent they are to be listed on the Hong Kong Stock Exchange (as defined below)) will be, listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Company confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR ON THE STOCK EXCHANGE OF HONG KONG LIMITED

招商銀行
CHINA MERCHANTS BANK

招商銀行股份有限公司

CHINA MERCHANTS BANK CO., LTD.

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

(H Share Stock Code: 03968)

(the "**Company**")

U.S.$5,000,000,000 MEDIUM TERM NOTE PROGRAMME

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") (the "**Listing Rules**").

Please refer to the offering circular dated 2 April 2026 (the "**Offering Circular**") appended hereto in relation to the U.S.$5,000,000,000 Medium Term Note Programme (the "**Programme**"). The Offering Circular is published in English only. No Chinese version of the Offering Circular has been published. As disclosed in the Offering Circular, the notes to be issued under the Programme (the "**Notes**") will be intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and the Programme has been, and the Notes (to the extent they are to be listed on the Hong Kong Stock Exchange) will be, listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any Notes of the Company, and no such inducement is intended by the Company.

The Board of Directors of
China Merchants Bank Co., Ltd.

8 April 2026

As at the date of this announcement, the executive directors of the Company are Wang Liang and Zhong Desheng; the shareholder directors (non-executive directors) of the Company are Miao Jianmin, Shi Dai, Deng Renjie, Jiang Chaoyang, Zhu Eric Liwei, Huang Jian and Ma Xianghui; and the independent non-executive directors of the Company are Tian Hongqi, Li Chaoxian, Shi Yongdong, Li Jian, Wong Yuk Shan and Lu Liping.

招商銀行
CHINA MERCHANTS BANK

CHINA MERCHANTS BANK CO., LTD.

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

U.S.$5,000,000,000
Medium Term Note Programme

Under the U.S.$5,000,000,000 Medium Term Note Programme described in this Offering Circular (the "**Programme**"), China Merchants Bank Co., Ltd. (the "**Bank**") or such branch of China Merchants Bank Co., Ltd. as specified in the applicable Pricing Supplement (each an "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Notes (the "**Notes**"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$5,000,000,000 (or the equivalent in other currencies), subject to increases of the programme size made in accordance with the terms of an amended and restated Dealer Agreement dated 2 April 2026 (the "**Dealer Agreement**").

The Notes may be issued on a continuing basis to one or more of the Dealers appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Investing in the Notes involves certain risks. See "*Risk Factors*" beginning on page 15.

Where applicable for a relevant Tranche of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Bank by the National Development and Reform Commission of the PRC (the "**NDRC**") or registration will be completed by the Bank with the NDRC pursuant to the Administrative Measures for the Examination and Registration of Medium- and Long-term Foreign Debts of Enterprises (《企業中長期外債審核登記管理辦法》(國家發展和改革委員會令第56號)) which took effect on 10 February 2023 (as supplemented, amended or replaced from time to time) and any implementation rules or policies as issued by the NDRC from time to time (the "**NDRC Administrative Measures**"). After the issuance of such relevant Tranche of Notes, the Bank intends to provide the requisite information on the issuance of such Notes to the NDRC within the time period as required by the NDRC.

Application has been made to The Stock Exchange of Hong Kong Limited ("**HKSE**" or "**Hong Kong Stock Exchange**") for the listing of the Programme for the 12-month period after the date of this Offering Circular on the HKSE under which Notes may be issued by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong Investors: Each Issuer confirms that each Tranche of Notes issued under the Programme is intended for purchase by Professional Investors only and the Programme and the Notes, to the extent that they are to be listed on the HKSE, will be listed on the HKSE on that basis. Accordingly, each Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme or the Notes on the HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or the Bank or the Group (as defined below) or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Each Series (as defined in "*Summary of the Programme*") of Notes in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Global Note**", together with the Temporary Global Note, the "**Global Notes**"). Interests in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note or for definitive Bearer Notes, after the expiry of 40 days after the later of the completion of the distribution of the relevant Tranche of the Notes and the issue date, upon certification as to non-U.S. beneficial ownership. Notes in registered form ("**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one definitive Certificate being issued in respect of each Noteholder's (as defined in the Conditions) entire holding of Registered Notes of one Series or (a) in the case of Notes issued in reliance on Category 3 of Regulation S ("**Regulation S**") of the United States Securities Act of 1933 (the "**Securities Act**"), a temporary global certificate in registered form (a "**Temporary Global Certificate**") or (b) in the case of all other Notes, a permanent global certificate in registered form (a "**Permanent Global Certificate**", and together with the Temporary Global Certificate, the "**Global Certificates**") in respect of the Notes. Interests in Temporary Global Certificates will be exchangeable for interests in a Permanent Global Certificate on or after a date which is expected to be the first business day following the period of 40 calendar days from (but not including) the later of the completion of the distribution of the relevant Tranche of the Notes and the issue date, and upon certification as to non-U.S. beneficial ownership. Global Notes and Global Certificates may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") or with a sub-custodian for the Central Moneymarkets Unit Service, operated by the Hong Kong Monetary Authority (the "**CMU**"). In the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream or CMU, or delivered outside a clearing system, the Global Notes and Global Certificates may be deposited on the relevant issue date as agreed between the Issuer and the relevant Dealer.

The Notes of each Series to be issued in registered form ("**Registered Notes**") and which are sold in an "offshore transaction" within the meaning of Regulation S ("**Unrestricted Notes**") will initially be represented by a permanent registered global certificate (each an "**Unrestricted Global Certificate**") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, with a common depositary on behalf of Euroclear and Clearstream and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer. Registered Notes which are sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") under the Securities Act ("**Restricted Notes**") will initially be represented by a permanent registered global certificate (each a "**Restricted Global Certificate**") without interest coupons, which may be deposited on the relevant issue date (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, with a common depositary on behalf of Euroclear and Clearstream and (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealer.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THE NOTES MAY INCLUDE BEARER NOTES THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD, OR, IN THE CASE OF BEARER NOTES, DELIVERED WITHIN THE UNITED STATES. SEE "SUBSCRIPTION AND SALE" FOR FURTHER DESCRIPTION OF RESTRICTIONS ON TRANSFER.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein (the "**Conditions**"), in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The Programme is rated "A2" by Moody's Investors Service, Inc. ("**Moody's**"). In addition, the Bank has been assigned a rating of "A2" by Moody's, a rating of "A-" by S&P Global Ratings ("**S&P**"), and "A-" by Fitch Ratings Ltd. ("**Fitch**"). These ratings are only correct as at the date of this Offering Circular. Tranches of Notes (as defined in "*Summary of the Programme*") to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency.

Arrangers for the Programme

Citigroup | **CMB International** | **J.P. Morgan**

Dealers

Agricultural Bank of China Limited Hong Kong Branch	**Bank of China**	**BNP PARIBAS**	**China Merchants Securities (HK)**	**Citigroup**
CMB International	**CMB Wing Lung Bank Limited**	**Crédit Agricole CIB**	**ICBC (Asia)**	**J.P. Morgan**
	OCBC		**Standard Chartered Bank**	

Offering Circular dated 2 April 2026

IMPORTANT NOTICE

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer, the Group and the Bank. Each of the Issuer and the Bank accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each Tranche of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" as amended and/or supplemented by a document specific to such Tranche called a pricing supplement (the "Pricing Supplement"). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (see "*Documents Incorporated by Reference*") and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Bank or any of the Arrangers or the Dealers (as defined in "**Summary of the Programme**") or the Agents (as defined in "*Terms and Conditions of the Notes*") or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes should be considered as a recommendation by the Issuer, the Bank, any Arranger, any Dealer, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. This Offering Circular does not take into account the objectives, financial situation or needs of any potential investor. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Bank. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Bank, any Arranger, any Dealer, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Bank since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Bank, the Dealers, the Arrangers and any of their respective affiliates, officers, employees, agents, representatives, directors or advisers to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and the Notes may include Notes in bearer form that are subject to U.S. tax law requirements.

EU MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "**EU MiFID II Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into

consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**EU MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "**UK MiFIR Product Governance**" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "*Prohibition of Sales to EEA Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "**Prohibition of Sales to UK Retail Investors**", the Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is either one (or both) of the following: (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024. Consequently no disclosure document required the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

The Notes are being offered and sold outside the United States to non-US persons in reliance on Regulation S and, in the case of Registered Notes, within the United States to QIBs in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular see "*Subscription and Sale*" and "*Transfer Restrictions*".

***Singapore SFA* Product Classification** – The Pricing Supplement in respect of any Notes may include a legend entitled "*Singapore SFA Product Classification*" which will state the product classification of the Notes pursuant to Section 309B(1) of the Securities and Futures Act 2001 (the "**SFA**"). The Issuer will make a determination and provide the appropriate written notification to "**relevant persons**" in relation to each issue about the classification of the Notes being offered for the purposes of Section 309B(1)(a) and Section 309B(1)(c) of the SFA.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors:

Prospective investors should be aware that certain intermediaries in the context of certain offerings of Notes pursuant to this Programme, each such offering, a CMI Offering, including certain Dealers, may be "**capital market intermediaries**" (together, the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "**overall coordinators**" (together, the "**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). A rebate may be offered by the Issuer to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of the relevant CMI Offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate. Details of any such rebate will be set out in the applicable Pricing Supplement or otherwise notified to prospective investors. If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "**proprietary order**" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "**proprietary order**" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "**proprietary order**". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "**proprietary order**" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "**proprietary order**". Where prospective investors disclose such information but do not disclose that such "**proprietary order**" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "**proprietary order**" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealer and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UP ON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Issuer, the Bank, any Arranger, any Dealer, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers makes any representation to any investor in the Notes regarding the legality of its investment under any applicable law. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions.

None of the Issuer, the Bank, the relevant Arrangers, the relevant Dealers, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers represents that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Pricing Supplement, no action has been taken by the Issuer, the Bank, the relevant Arrangers, the relevant Dealers, the Agent or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the PRC and Japan. See "*Subscription and Sale*".

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by an Arranger or a Dealer or any Agent or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers or on its behalf in connection with the Bank, the Issuer, the Group or the issue and offering of the Notes. Each Arranger, each Dealer and each Agent or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements of the Issuer, the Bank or the Group are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Bank, the Arrangers, the Dealers, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers that any recipient of this Offering Circular or any financial statements of the Issuer, the Bank or the Group should purchase the Notes. Each potential

investor of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. The Dealers do not make any representation, warranty or undertaking, express or implied, as to the accuracy or completeness of the information contained herein. None of the Arrangers, the Dealers, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers undertakes to review the financial condition or affairs of the Issuer, the Bank or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers, the Dealers, the Agents or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers.

From time to time, in the ordinary course of business, certain of the Dealers and any of their respective affiliates, officers, employees, agents, representatives, directors or advisers have provided advisory and investment banking services, and entered into other commercial transactions with the Issuer, the Bank and their respective affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and any of their respective affiliates, officers, employees, agents, representatives, directors or advisers will continue to provide such services to, and enter into such transactions, with the Issuer, the Bank and their respective affiliates in the future.

The Dealers or any of their respective affiliates, officers, employees, agents, representatives, directors or advisers may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

In making an investment decision, each potential investor must rely on its own examination of the Issuer, the Bank and the terms of the Notes being offered, including the merits and risks involved. The Issuer, the Bank, the Arrangers, the Dealers, the Agents and any of their respective affiliates, officers, employees, agents, representatives, directors or advisers do not make any representation regarding the legality of investment under any applicable laws.

Potential investors should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

In connection with any Tranche of Notes, any Dealer (or persons acting on its behalf) may be appointed and act in its capacity as stabilisation manager (the "Stabilisation Manager"). The identity of the Stabilisation Manager(s) (if any) will be disclosed in the relevant Pricing Supplement. In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

In the Offering Circular, unless otherwise specified, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; all references to the "**PRC**" or "**China**" are to the People's Republic of China and for geographical reference only (unless otherwise stated), excluding Taiwan, Hong Kong and Macau; references to "**US$**", "**U.S.$**", "**USD**" or "**U.S. dollars**" are to the lawful currency of the United States of America; references to "**Renminbi**", "**RMB**" or "**CNY**" are to the lawful currency of the PRC; and references to "**Hong Kong dollar**" or "**HK$**" are to the lawful currency of Hong Kong.

In this Offering Circular, unless otherwise specified, references to:

- "**the Bank**" refer to China Merchants Bank Co., Ltd. and "**the Group**" to the Bank and its subsidiaries;

- a "**business day**" is a day that is not Saturday, Sunday or a public holiday in Hong Kong; and

- the terms "**associate**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, in this Offering Circular, unless otherwise indicated, the terms "**loans and advances to customers**", "**loans**" and "**loans to customers**" are used synonymously.

In this Offering Circular, unless otherwise indicated, the discussions on loans are based on the Bank's gross loans and advances to customers, before taking into account the related allowance for impairment losses, rather than its net loans to customers. The Bank's loans and advances to customers are reported net of the allowance for impairment losses on its consolidated balance sheet.

The growth rates with respect to the business and financial data of the Bank presented in this Offering Circular are calculated based on amounts in millions of Renminbi.

Cautionary Statement Regarding Forward-Looking Statements

This Offering Circular includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. The words "**anticipate**", "**believe**", "**expect**", "**plan**", "**intend**", "**targets**", "**aims**", "**estimate**", "**project**", "**will**", "**would**", "**may**", "**could**", "**continue**" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the Bank's financial position, business strategy, management plans and objectives for future operations, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Bank's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank expects to operate in the future. Important factors that could cause the Bank's actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors referenced in this Offering Circular:

- the Bank's ability to integrate its newly-acquired operations and any future expansion of its business;

- the Bank's ability to realise the benefits it expects from existing and future investments in its existing operations and pending expansion and development projects;

- the Bank's ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed terminal development projects;

- the Bank's ability to obtain external financing or maintain sufficient capital to fund its existing and future operations;

- changes in political, social, legal or economic conditions in the markets in which the Bank and its customers operate;

- changes in the competitive environment in which the Bank and its customers operate;

- the Bank's ability to secure or renew concessions at future or existing facilities;

- failure to comply with regulations applicable to the Bank's business;
- fluctuations in the currency exchange rates in the markets in which the Bank operates;
- actions taken by the Bank's joint venture partners that may not be in accordance with the Bank's policies and objectives; and
- actions taken by the controlling shareholder of Bank's largest shareholder, China Merchants Group Ltd., that are not in line with, or may conflict with, the best interests of the Bank and/or the holders of the Bank's debt, including Noteholders.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Forward-looking statements speak only as at the date of this Offering Circular and the Bank expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Offering Circular to reflect any change in the Bank's expectations or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Bank cannot assure you that projected results or events will be achieved.

Presentation of Financial Information

This Offering Circular contains the consolidated financial information of the Bank as at and for each of the years ended 31 December 2024 and 2025.

The audited financial statements of the Bank were prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and the relevant disclosure requirements pursuant to the Companies Ordinance (Cap. 622) of Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and have been audited in accordance with the International Standards on Auditing ("**ISA**") issued by the International Auditing and Assurance Standards Board ("**IAASB**").

The audited financial information as at and for the years ended 31 December 2024 and 2025 included in this Offering Circular is derived from the Bank's published consolidated financial statements for the years ended 31 December 2024 and 2025 (the "**2024 and 2025 Statements**"), which were prepared and presented in accordance with IFRSs and the relevant disclosure requirements pursuant to the Companies Ordinance (Cap. 622) of Hong Kong and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and have been audited by Ernst & Young.

The 2024 and 2025 Statements are included in this Offering Circular, and should be read in conjunction with such published consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

In this Offering Circular, because certain amounts have been rounded, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items, and actual numbers may differ from those contained herein due to rounding.

Documents Incorporated by Reference

The Bank hereby incorporates by reference (i) the most recently published audited consolidated annual financial statements and the most recently published unaudited but reviewed interim consolidated financial statements of the Bank published from time to time after the date of this Offering Circular, in each case together with any audit or review reports prepared in connection therewith, (ii) the most recently published unaudited and unreviewed consolidated quarterly financial statements of the Bank from the relevant quarterly interim report, published subsequent to the most recently published consolidated financial statements of the Bank, and (iii) all amendments and supplements from time to time to this Offering Circular, each of which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with the contents of this Offering Circular.

The Bank publishes its unaudited but reviewed interim consolidated financial statements in respect of the six months ended 30 June of each financial year. A copy of the unaudited but reviewed interim consolidated financial statements can be found on the website of the HKSE. The unaudited but reviewed interim consolidated financial statements have not been and will not be audited by the Bank's auditors and were and will be prepared under IFRSs. The unaudited but reviewed interim reports may not provide the same quality of information associated with information that has been subject to an audit. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operation. The unaudited but reviewed interim reports should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

The Bank publishes its consolidated quarterly interim financial statements in respect of the three months ended 31 March and the nine months ended 30 September of each financial year. A copy of the quarterly interim consolidated financial statements can be found on the website of the HKSE. The quarterly interim consolidated financial statements have not been and will not be audited or reviewed by the Bank's auditors and were and will be prepared under IFRSs. The consolidated quarterly interim financial statements may not provide the same quality of information associated with information that has been subject to an audit or review. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operation. The quarterly interim reports should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

None of the Arranger, the Dealers, the Agents or any of their respective directors, officers, employees, agents, representatives or affiliates or any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness and sufficiency of such consolidated quarterly interim financial statements of the Group for an assessment of the Bank's financial condition and results of operations.

Any documents not incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Bank and of the Fiscal Agent (as defined below) set out at the end of this Offering Circular.

Supplemental Offering Circular

Each of the Bank and the Issuer has given an undertaking to the Dealers that where the Bank intends to issue Notes under the Programme for the time being, if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this Offering Circular which is capable of affecting an assessment by investors of the assets and liabilities, financial position, profits and losses, and prospects of the Bank, the Issuer and/or of the rights attaching to the Notes, the Bank shall (i) prepare and publish an amendment or supplement to this Offering Circular (the "**Supplemental Offering Circular**"), (ii) advise the Dealers promptly of any proposal to amend, supplement or replace this Offering Circular, (iii) advise the Arrangers and Dealers of any proposal to amend, supplement or replace this Offering Circular and (iv) provide the Dealers with a copy of any such proposed amendment, supplement or replacement immediately prior to its publication.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes are "**restricted securities**" as defined in Rule 144(a)(3) under the Securities Act, the Issuer will during any period that it is neither subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934 (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish to any holder or beneficial owner of such restricted securities or any prospective purchaser designated by any such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Bank is a joint stock company incorporated in the People's Republic of China with limited liability. None of the directors and executive officers of the Bank are residents of the United States, and all or a substantial portion of the assets of the Bank and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or anywhere else outside the PRC upon the Bank or such persons or to enforce against any of them in the United States courts judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

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SUMMARY

The summary below is only intended to provide a limited overview of detailed information described elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety.

The Bank was incorporated on 11 August 1987 as a joint stock company with limited liability under the Approval on Pilot Establishment of Merchants Bank (《關於同意試辦招商銀行的批覆》(銀覆[1986]175號)) issued by the People's Bank of China (the "**PBOC**") and with registration number She Qi Fu No. 0345 (蛇企副字0345號). Founded in 1987 with its head office in Shenzhen, China, the Bank mainly focuses on the market in China. The Bank's distribution network is mainly distributed in major central cities in the Chinese mainland and some international financial centres such as Hong Kong, New York, London, Singapore, Luxembourg and Sydney. As at 31 December 2025, the Bank had 143 branches and 1,801 sub-branches in mainland China, two branch-level specialised institutions (a Credit Card Centre and a Global Markets Centre), 2,157 self-service banks, 5,162 cash self-service devices and 4,789 visual counters. The Bank also has a Hong Kong branch, a New York branch, a representative office in Chinese Taipei, a London branch in the United Kingdom, a Singapore branch, a Luxembourg branch and a Sydney branch and a Melbourne branch in Australia.

The growth of the Bank from a regional bank into a national commercial bank with significant asset scale and strength in China is primarily attributable to its resources and efforts. The Bank was listed on the Shanghai Stock Exchange in April 2002 and on the HKSE in September 2006.

The Bank provides customers with various wholesale and retail banking products and services, and maintains financial markets businesses for proprietary purpose and client flow trading. Many innovative products and services of the Bank have been well accepted by the market. Retail banking services include the account, payment and settlement services based on the "All-in-one" multifunction debit card and credit card, segmentation and classification-based wealth management services including the "Sunflower Wealth Management" services and private banking services, retail credit services, CMB APP, CMB Life APP, "All-in-one Net" comprehensive online banking service platform, and other online services. Wholesale banking services include payment and settlement, wealth management, investment and financing and digital services, cash management, technology finance, green finance, inclusive finance, retirement finance, digital finance, supply chain finance and cross-border finance services, asset management, asset custody and investment banking services etc. The Bank continues to tap further into the living and business circles of customers to provide customers with customised, intelligent and comprehensive solutions for their supply chains and investment chains.

In recent years, the Bank has come up with the strategic vision of "building the best value creation bank that is innovation-driven, model-leading, and distinctive in features" based on the internal and external situation and its own development. In line with the trends of Chinese modernisation, economic globalisation, a new wave of technological revolution and industrial upgrade, the Bank consistently enhances its quality and efficiency in serving the real economy and social well-being, accelerates transformation through "the Internationalisation Initiative, the Comprehensive Operation Initiative, the Differentiation Initiative, and the Digitisation and Intelligence Initiative", and strives to create more value for customers, employees, shareholders, partners and society, with the aim of making greater contributions to Chinese modernisation and the construction of a financial powerhouse.

As at 31 December 2024 and 2025, the Group had approximately RMB12,152.036 billion and RMB13,070.523 billion in total assets, respectively, and RMB6,888.315 billion and RMB7,258.058 billion in total loans and advances to customers, respectively. For the years ended 31 December 2024 and 2025, the Group had an operating income of RMB334.489 billion and RMB331.800 billion, respectively, and a net profit of RMB149.559 billion and RMB151.126 billion, respectively. For the year ended 31 December 2025, the Group had a net profit attributable to shareholders of the Bank of RMB150.181 billion, representing a year-on-year increase of 1.21%. Net operating income was RMB337.273 billion,

representing a year-on-year increase of 0.05%, among which, the net non-interest income was RMB121.680 billion, representing a year-on-year decrease of 3.31%. The return on average asset attributable to shareholders of the Bank and the return on average equity attributable to ordinary shareholders of the Bank were 1.19% and 13.44%, down by 0.09 percentage point and 1.05 percentage points year-on-year, respectively. For the years ended 31 December 2024 and 2025, the net interest spread of the Group was 1.86% and 1.78%, respectively, and the net interest margin of the Group was 1.98% and 1.87%, respectively.

CORE COMPETITIVE STRENGTHS

The Bank's core competitive strengths are as follows:

- Leading retail finance business with unique competitive advantages.
- Corporate finance business with specialised and professional operations.
- Rapidly developing cross-border finance platform.
- Continuous enhancement of digital and intelligent platform.
- Industry benchmark of high-quality services.
- Continuously enhanced brand influence.
- Experienced management team.

BUSINESS DEVELOPMENT STRATEGIES

The Bank is committed to building the best value creation bank with innovation-driven development, leading model and distinguished features. Applying the principle of "the heavy serves as the foundation of the light", strengthening the Bank's capital-heavy business while expanding its capital-light business, the Bank upholds the philosophy of win-win business and business for common good to grow into a value creation bank. The Bank seeks to maximise the comprehensive value of customers, employees, shareholders, partners and the society, as well as creating a new pattern of high-quality growth, aiming to become a world-class commercial bank. The Bank's strategic focus is upholding the strategic dominant position of retail finance while persistently promoting the balanced and coordinated development of four major sectors, namely retail finance, corporate finance, investment banking and financial markets, and wealth management and asset management. Focusing on building core capabilities in wealth management, digital and intelligent technology, and risk management, the Bank will actively promote the continuous evolution of its organisational culture. The Bank intends to implement the following strategies:

- Expanding wealth management business and accelerating the transformation of the business model.
- Advancing digital and intelligent technology and developing the Bank with technology.
- Strengthening risk management and continuously building a fortress-style risk and compliance management system.
- Pursuing the core values and building the cultural and organisational foundation for a value creation bank.

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meaning in this summary.

The Issuer	China Merchants Bank Co., Ltd., or such branch of China Merchants Bank Co., Ltd.
Description	Medium Term Note Programme.
Size	Up to U.S.$5,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time. The Bank may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" below which includes the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Arrangers	Citigroup Global Markets Limited CMB International Capital Limited J.P. Morgan Securities (Asia Pacific) Limited
Dealers	Agricultural Bank of China Limited Hong Kong Branch Bank of China Limited BNP PARIBAS China Merchants Securities (HK) Co., Limited Citigroup Global Markets Limited CMB International Capital Limited CMB Wing Lung Bank Limited Crédit Agricole Corporate and Investment Bank Industrial and Commercial Bank of China (Asia) Limited J.P. Morgan Securities (Asia Pacific) Limited Oversea-Chinese Banking Corporation Limited Standard Chartered Bank The Bank may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.

Fiscal Agent, Principal Paying Agent and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited.
Calculation Agent	To be appointed on a per series basis.
Registrar	The Hongkong and Shanghai Banking Corporation Limited.
CMU Lodging and Paying Agent .	The Hongkong and Shanghai Banking Corporation Limited.
Method of Issue	The Notes may be issued on a syndicated or non-syndicated basis. The Notes may be issued in series (each a "**Series**") having one or more issue dates (each tranche within such Series a "**Tranche**") and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement (a "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes	Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and *vice versa*. Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules (as defined below) are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

	Registered Notes will be represented by registered Certificates, one definitive Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series or (a) in the case of Notes issued in reliance on Category 3 of Regulation S of the Securities Act, a Temporary Global Certificate or (b) in the case of all other Notes, a Permanent Global Certificate, in respect of the Notes. Interests in Temporary Global Certificates will be exchangeable for interests in a Permanent Global Certificate only after the date falling at least 40 days after the completion of the distribution of the Notes of the relevant Series and upon certification as to non-U.S. beneficial ownership. Registered Notes sold in an "**offshore transaction**" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.
Clearing Systems	Clearstream, Euroclear, the CMU and, in relation to any Tranche, such other alternative clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealers and, as applicable, the Registrar.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the HKMA as operator of the CMU, or deposited with a depositary or sub-custodian for any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealers. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity.

Specified Denomination	Notes will be in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all relevant laws, regulations and directives. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies) and in the case of any Notes to be sold in the United States to QIBs, the minimum specified denomination shall be U.S.$250,000 (or its equivalent in other currencies).
Interest	Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Tranche. All such information will be set out in the relevant Pricing Supplement.
Benchmark Amendment.	The Benchmark Amendment provisions set out in the "*Terms and Conditions of the Notes*" will apply if a Benchmark Event occurs.
Redemption and Redemption Amounts.	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which must be redeemed before the first anniversary of their date of issue and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum redemption amount of £100,000 (or its equivalent in other currencies) and in the case of any Notes to be sold in the United States to QIBs, the minimum specified denomination shall be U.S.$250,000 (or its equivalent in other currencies).
Optional Redemption.	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of the Notes	The Notes issued by the Issuer will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank *pari passu* without any preference among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer other than any such obligations as are preferred by law, all as further described in Condition 3.
Events of Default.	See "*Terms and Conditions of the Notes – Events of Default*".

Cross Acceleration	See the relevant sub-condition under "*Terms and Conditions of the Notes – Events of Default*".
Ratings	The Programme is rated "**A2**" by Moody's. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption	Except as provided in "*Optional Redemption*" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".
Withholding Tax	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Hong Kong or the PRC, subject to customary exceptions, all as described in "*Terms and Conditions of the Notes – Taxation*".
Governing Law	English law.
Listing	Application has been made to the HKSE for the listing of the Programme valid within the 12-month period after the date of this Offering Circular on the HKSE under which Notes may be issued by way of debt issues to Professional Investors only, as described in this Offering Circular. Separate application may be made for the listing of the Notes on the HKSE or other stock exchange(s). Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, the European Economic Area, the United Kingdom, Hong Kong, Singapore, the PRC and Japan, see "*Subscription and Sale*" below.

	Bearer Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) ("**TEFRA D Rules**"), unless (i) such Bearer Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) ("**TEFRA C Rules**") or (ii) the Bearer Notes are issued in circumstances under which TEFRA is not applicable as set forth in the applicable terms for such Bearer Notes.
Transfer Restrictions	There are restrictions on the transfer of Notes sold pursuant to Regulation S under the Securities Act prior to the expiration of the relevant distribution compliance period and on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See "*Transfer Restrictions*".

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary consolidated financial information of the Bank as at and for the years indicated.

The summary consolidated financial information of the Bank as at and for the years ended 31 December 2024 and 2025 set forth below is derived from and should be read in conjunction with the 2024 and 2025 Statements, including the notes thereto and the auditor's reports in respect of the years ended 31 December 2024 and 2025, each of which is included elsewhere in this Offering Circular. The audited financial statements were prepared in accordance with IFRS issued by the IASB and have been audited in accordance with ISA issued by the IAASB. The 2024 and 2025 Statements were prepared and presented in accordance with IFRSs and have been audited by Ernst & Young.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year Ended 31 December	
	2025	**2024**
	(Expressed in millions of Renminbi unless otherwise stated)	
Interest income	351,351	374,271
Interest expense	(135,758)	(162,994)
Net interest income	**215,593**	**211,277**
Fee and commission income	84,265	81,040
Fee and commission expense	(9,007)	(8,946)
Net fee and commission income	**75,258**	**72,094**
Other net income	40,949	51,118
– Disposal of financial instruments at amortised cost	1,607	4,045
Operating income	**331,800**	**334,489**
Operating expenses	(118,505)	(117,650)
Operating profit before impairment losses and taxation	**213,295**	**216,839**
Expected credit losses	(39,586)	(39,976)
Impairment losses on other assets	(189)	(843)
Share of profits of joint ventures	3,984	1,713
Share of profits of associates	1,489	919
Profit before taxation	**178,993**	**178,652**
Income tax	(27,867)	(29,093)
Profit for the year	**151,126**	**149,559**
Attributable to:		
Equity holders of the Bank	150,181	148,391
Non-controlling interests	945	1,168
Earnings per share		
Basic and diluted (RMB Yuan)	5.70	5.66
Other comprehensive income for the year after tax		
Items that may be reclassified subsequently to profit or loss	(20,683)	23,770
Share of other comprehensive income/(expense) from equity-accounted investees	(3,144)	2,452
Net fair value gain/(loss) on debt instruments measured at fair value through other comprehensive income	(13,251)	16,423
Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income	(1,072)	3,000
Net movement in cash flow hedge reserve	(41)	(36)
Exchange difference on translation of financial statements of foreign operations	(3,175)	1,931
Items that will not be reclassified to profit or loss	2,612	2,923
Net fair value gain on equity instruments designated at fair value through other comprehensive income	2,603	2,903
Remeasurement of defined benefit scheme	9	20
Other comprehensive income for the year, net of tax	**(18,071)**	**26,693**
Attributable to:		
Equity holders of the Bank	(18,016)	26,571
Non-controlling interests	(55)	122
Total comprehensive income for the year	**133,055**	**176,252**
Attributable to:		
Equity holders of the Bank	132,165	174,962
Non-controlling interests	890	1,290

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December	
	2025	**2024**
	(Expressed in millions of Renminbi unless otherwise stated)	
Assets		
Cash	14,808	16,622
Precious metals	38,669	9,415
Balances with central banks	560,207	557,443
Balances with banks and other financial institutions	200,399	220,231
Placements with banks and other financial institutions	507,439	408,955
Amounts held under resale agreements	258,708	271,329
Loans and advances to customers	7,004,238	6,632,548
Financial investments at fair value through profit or loss	647,796	617,018
Derivative financial assets	18,823	32,533
Debt investments at amortised cost	2,124,951	1,941,580
Debt investments at fair value through other comprehensive income	1,337,950	1,092,127
Equity investments designated at fair value through other comprehensive income	24,424	22,315
Interest in joint ventures	20,126	19,310
Interest in associates	12,788	11,705
Investment properties	997	1,117
Property and equipment	131,524	128,761
Right-of-use assets	15,290	16,890
Intangible assets	1,922	2,196
Goodwill	9,954	9,954
Deferred tax assets	89,856	83,674
Other assets	49,654	56,313
Total assets	**13,070,523**	**12,152,036**

	As at 31 December	
	2025	**2024**
	(Expressed in millions of Renminbi unless otherwise stated)	
Liabilities		
Borrowing from central banks	111,077	189,934
Deposits from banks and other financial institutions	911,699	699,975
Placements from banks and other financial institutions	250,701	235,376
Financial liabilities at fair value through profit or loss	120,499	67,461
Derivative financial liabilities	18,652	31,583
Amounts sold under repurchase agreements	95,410	84,042
Deposits from customers	9,924,558	9,195,329
Salaries and welfare payable	35,959	34,512
Tax payable	14,713	11,713
Contract liabilities	3,548	4,193
Lease liabilities	11,253	12,778
Provisions	16,919	16,762
Debt securities issued	143,487	222,921
Deferred tax liabilities	1,115	1,592
Other liabilities	130,034	110,390
Total liabilities	**11,789,624**	**10,918,561**

	As at 31 December	
	2025	**2024**
	(Expressed in millions of Renminbi unless otherwise stated)	
Equity		
Share capital	25,220	25,220
Other equity instruments	177,457	180,446
– Preference shares	27,468	27,468
– Perpetual bonds	149,989	152,978
Capital reserve	65,409	65,429
Investment revaluation reserve	23,574	38,385
Hedging reserve	15	56
Surplus reserve	136,270	122,652
General reserve	163,481	154,932
Retained earnings	654,512	583,638
Proposed profit appropriation	25,296	50,440
Exchange reserve	1,641	4,816
Total equity attributable to shareholders of the Bank	**1,272,875**	**1,226,014**
Non-controlling interests	8,024	7,461
– Non-controlling interest	8,024	7,461
Total equity	1,280,899	1,233,475
Total equity and liabilities	**13,070,523**	**12,152,036**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 31 December	
	2025	**2024**
	(Expressed in millions of Renminbi unless otherwise stated)	
Operating activities		
Profit before taxation	**178,993**	**178,652**
Adjustments for:		
– Impairment losses on loans and advances	42,582	43,608
– Impairment losses on investments and other	(2,807)	(2,789)
– Unwinding of discount on loans and advances	(118)	(223)
– Depreciation of property and equipment and investment properties	11,613	11,454
– Depreciation of right-of-use assets	3,928	4,107
– Amortisation of other assets	879	925
– Net gains on debt securities and equity investments	(30,653)	(26,024)
– Interest income on investments	(91,477)	(84,924)
– Interest expense on issued debt securities	5,383	7,656
– Share of profits of associates	(1,489)	(919)
– Share of profits of joint ventures	(3,984)	(1,713)
– Net gains on disposal of properties and equipment and other assets	(742)	(249)
– Interest expense on lease liabilities	391	457
Changes in:		
Balances with central banks	16,647	14,860
Loans and advances to customers	(414,137)	(432,133)
Other assets	(121,011)	20,925
Deposits from customers	739,543	941,149
Amount due to banks and other financial institutions	237,879	129,098
Amount due from banks and other financial institutions with original maturity over 3 months	(68,410)	(160,145)
Borrowing from central banks	(78,832)	(187,678)
Other liabilities	53,548	21,479
Cash generated from operating activities before income tax payment	**477,726**	**477,573**
Income tax paid	(26,269)	(30,550)
Net cash generated from operating activities	**451,457**	**447,023**
Investing activities		
Proceeds from disposals and redemptions of investments	2,270,020	2,045,080
Investment income received	125,561	113,717
Proceeds from the disposals of property and equipment and other assets	13,074	10,757
Proceeds from the disposals of subsidiaries, associates or joint ventures	638	416
Payment for the purchases of investments	(2,705,121)	(2,427,328)
Payment for the acquisition of subsidiaries, associates or joint ventures	(951)	(571)
Payment for the purchases of property and equipment and other assets	(28,141)	(34,930)
Net cash used in investing activities	**(324,920)**	**(292,859)**

	Year Ended 31 December	
	2025	**2024**
	(Expressed in millions of Renminbi unless otherwise stated)	
Financing activities		
Proceeds from the issuance of negotiable interbank certificates of deposit	27,230	155,569
Proceeds from the issuance of certificates of deposit and other debt securities	81,221	61,462
Proceeds from the issuance of debt securities	27,237	24,995
Proceeds from the issuance of perpetual bonds	46,991	29,997
Proceeds from other financing activities	19,529	9,947
Repayment of negotiable interbank certificates of deposit	(105,950)	(90,160)
Repayment of certificates of deposit and other debt securities	(77,173)	(49,187)
Repayment of debt securities	(35,801)	(59,989)
Payment for redemption of perpetual bonds	(50,000)	–
Payment for lease liabilities	(4,534)	(4,793)
Payment for redemption of perpetual debt capital	–	(2,886)
Distribution paid on perpetual debt capital	–	(93)
Payment for dividends distribution	(50,767)	(50,018)
Distribution paid on preference shares	(996)	(996)
Distribution paid on perpetual bonds	(5,311)	(4,585)
Interest paid on financing activities	(4,678)	(5,339)
Payment for other financing activities	(36,936)	(11,775)
Net cash used in financing activities	**(169,938)**	**2,149**
Net (decrease)/increase in cash and cash equivalents	**(43,401)**	**156,313**
Cash and cash equivalents as at 1 January	**756,527**	**599,019**
Effect of foreign exchange rate changes	**(3,304)**	**1,195**
Cash and cash equivalents as at 31 December	**709,822**	**756,527**
Cash flows from operating activities include:		
Interest received	259,757	288,626
Interest paid	139,784	142,636

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The Bank's business, financial condition or results of operations could be materially adversely affected by any of these risks. The Bank believes that the following factors may affect its ability to fulfil its obligations under the Notes. Additional considerations and uncertainties not presently known to the Bank or which the Bank currently deems immaterial may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Bank believes may be material for the purpose of assessing the market risks associated with the Notes are described below. The Bank believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Bank's inability to repay principal, pay interest or other amounts or fulfil other obligations on or in connection with the Notes may occur for other reasons and the Bank does not represent that the statements below regarding the risks of holding the Notes are exhaustive.

RISKS RELATING TO THE BANK'S BUSINESS

If the Bank is unable to effectively maintain the quality of its loan portfolio, its financial condition and results of operations may be materially and adversely affected.

The Bank's results of operations would be negatively impacted by its non-performing loans, and the sustainability of its growth depends largely on its ability to effectively manage its credit risk and maintain the quality of its loan portfolio. As at 31 December 2024 and 2025, the Group's non-performing loans amounted to RMB65.610 billion and RMB68.206 billion, respectively, and its non-performing loan ratio was 0.95% and 0.94%, respectively.

The Bank cannot assure investors that its credit risk management policies, procedures and systems are free from any deficiency. Failure of the Bank's credit risk management policies, procedures and systems may result in an increase in the level of the Bank's non-performing loans and adversely affect the quality of the Bank's loan portfolio. In addition, the quality of the Bank's loan portfolio may also deteriorate due to various other reasons, including factors beyond the Bank's control, such as a slowdown in economic growth and other adverse macroeconomic trends in China, which could impair the ability of the Bank's borrowers to service their outstanding debt. For example, the Bank's small and medium enterprises ("**SMEs**") customers may be particularly sensitive to the impact of inflationary pressures, interest rate fluctuations and recessionary risks. There can be no assurance that the Bank will be able to maintain or lower its current NPL ratio in the future or that the quality of its existing or future loans and advances to borrowers will not deteriorate. As a result of the PRC government's economic stimulus programmes, many PRC banks, including the Bank, experienced high growth in their loan balances in the past. This increase in bank loans may lead to elevated impaired loan ratios and loan loss provisions as well as increasing strain on the Bank's risk management resources, which may affect the quality of its loan portfolio. If such deterioration were to occur, it could materially and adversely affect the Bank's financial condition, results of operations and cashflows.

The Bank may have to increase its allowance for impairment losses to cover future actual losses to its loan portfolio.

As at 31 December 2024 and 2025, the allowance-to-loan ratio of the Group, being the ratio of allowances for impairment losses to total loans and advances to customers[1], was 3.92% and 3.68%, respectively. The amount of the allowance is based on its current assessment of, and expectations concerning, various factors affecting the quality of the Bank's loan portfolio based on International Financial Reporting 9, or

[1] The total loan and advances to customers herein and set out below exclude accrued interest.

IFRS 9. These factors include, among other things, the Bank's borrowers' financial condition, repayment ability and repayment intention, the realisable value of any collateral and the ability of the guarantors of the Bank's customers to fulfil their obligations, as well as China's economy, government macroeconomic policies, interest rates, exchange rates, inflationary pressures, recessionary risks and the overall legal and regulatory environment. Many of these factors are subject to change and are beyond the Bank's control.

In addition, the Bank relies on the skills of its employees to collect, process, and analyse relevant statistical data and estimate these factors, processes which are not free of deficiencies and errors. If the Bank's assessment of, and expectations concerning, these factors differ from actual developments, or if the quality of the Bank's loan portfolio deteriorates, the Bank's allowance for impairment losses may not adequately cover its actual losses, and the Bank may need to make additional provision for impairment losses. The need to make additional loan loss provision may materially and adversely affect the Bank's financial condition and results of operations.

The collateral or guarantees securing the Bank's loans may not be sufficient, and the Bank may be unable to realise the full value of the collateral or guarantees.

As at 31 December 2024 and 2025, loans and advances to customers secured by collateral or pledges accounted for 41.17% and 40.63% of the Group's gross amount of loans and advances to customers, respectively. The value of the collateral securing the Bank's loans may significantly fluctuate or decline due to factors beyond the Bank's control, including macroeconomic factors affecting China's economy. For example, the slowdown in China's economy growth leading to the downturn in China's real estate markets may in turn result in declines in the value of the real properties securing the Bank's loans to levels significantly below the outstanding principal balance of such loans. Any decline in the value of such collateral may reduce the amount the Bank can recover from collateral and increase its impairment losses. The Bank does not always appoint independent appraisers to re-evaluate its collateral (particularly its real properties) on a fixed, periodic basis. As a result, the Bank may not have updated current information on the value of such collateral, which may adversely affect the accurate assessment of the Bank's loans secured by such collateral.

In addition, in certain circumstances, the Bank's rights to the collateral securing its loans may have lower priority than certain other rights. In addition, in China, the procedures for liquidating or otherwise realising the value of collateral in the form of tangible assets may be protracted and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for the Bank to take control of or liquidate the collateral securing non-performing loans.

As at 31 December 2024 and 2025, loans and advances to customers with guarantee accounted for 12.67% and 13.88% of the Group's gross amount of loans and advances to customers, respectively. Some of such guarantees were provided by the relevant borrower's affiliates. Such guarantees are generally not backed by collateral or other security interests. A significant deterioration in the financial condition of a guarantor may significantly decrease the amount the Bank could recover under such guarantee. Moreover, the Bank is subject to the risk that a court or other judicial or government authorities may declare a guarantee to be invalid. The Bank is therefore exposed to the risk that it may not be able to recover all or any part of the amount of the guarantees in respect of its loans.

The Bank's inability to realise the full value of the collateral and guarantees securing its loans on a timely basis may materially and adversely affect its asset quality, financial condition, or results of operations.

The Bank may not be able to maintain the continuing growth of its loan portfolio.

The Group's net loans and advances to customers increased from RMB6,622.950 billion as at 31 December 2024 to RMB6,995.085 billion as at 31 December 2025. Various factors have impact on the size of the Bank's loan portfolio, such as China's macroeconomic policies and capital constraints. In the future, the growth rate of the Bank's loan portfolio may slow down, or the size of such loan portfolio may even decline. In addition, in response to the constraints from various requirements on and the amount of the Bank's regulatory capital, the Bank may adopt strategies to reduce its reliance on its loan portfolio and

expand its activities in other businesses that require relatively lower capital. Any of the foregoing factors could impact the growth of the Bank's loan portfolio and thereby materially and adversely affect its business prospects, financial condition and results of operations.

The Bank has a concentration of loans to certain industries and regions and, if these industries or the economies of these regions significantly deteriorate, its financial condition and results of operations may be materially and adversely affected.

As at 31 December 2024 and 2025, the Group's loans in mainland China to the (1) manufacturing, (2) transportation, storage and postal services, (3) production and supply of electric power, heat, gas and water, (4) property development, (5) wholesale and retail, and (6) leasing and commercial services sections represented in aggregate 32.88% and 35.18% of the Group's gross amount of loans and advances to customers in mainland China, respectively. If any of the industries significantly deteriorates, the Bank's asset quality, financial condition and results of operations may be materially and adversely affected.

As at 31 December 2024 and 2025, residential mortgage loans contributed 39.25% and 38.61% respectively to the Group's retail loans in mainland China, and 10.76% and 9.70% of its corporate loans in mainland China were to property development, respectively. As at 31 December 2025, the Group's total balance of real estate related businesses which were subject to credit risks, such as the actual and contingent credit, proprietary bond investments, and proprietary investment of non-standardised assets, amounted to RMB353.970 billion, representing a decrease of 5.38% as compared with 2024. As at 31 December 2025, the Bank's balance of loans granted to the property development industry was RMB283.114 billion, representing a decrease of RMB3.251 billion as compared with 2024, accounting for 4.10% of the Bank's total loans and advances to customers, representing a decrease of 0.27 percentage point as compared with the end of 2024, among which, over 85% of loan balances for property development were in the urban areas of first-tier and second-tier cities and the regional structure remained sound. As at 31 December 2025, the Bank's non-performing loan ratio of the property development industry was 4.64%, representing a decrease of 0.10 percentage point as compared with 2024. The real estate market in China continues to be prone to fluctuations in real estate prices. When real estate prices in China decline significantly, the Bank's asset quality will be negatively affected, which will affect the quality of the Bank's loans to the real estate industry and the portfolio of the Bank's residential mortgage loans. Furthermore, when the real estate market in China experiences a downturn as a whole, the overall value of real estate collateral will decline, which will in turn reduce the amount the Bank can recover in the event of a default. This may materially and adversely affect the Bank's asset quality, financial condition and results of operations.

Pursuant to the PRC government's policies designed to curb development of certain industries facing overcapacity (including steel, cement, coal chemical, aluminium electrolysis, plate glass and ship building industries), the Bank distributes loans to some of these aforementioned industries in accordance with strict regulations. Any further restriction to relevant industries or deteriorations in the production capabilities and operations of customers in relevant industries may materially and adversely affect the Bank's asset quality, financial condition and results of operations.

Furthermore, the Group's profit before tax is generated mainly from the Yangtze River Delta, the Bohai Rim, and the Pearl River Delta and West Coast region. For the years ended 31 December 2024 and 2025, 32.22% and 30.89% of the Group's total profit before tax was derived from these three areas, respectively. A significant economic downturn in any of these regions, or any inaccurate assessment of the credit risks regarding borrowers located in or with substantial operations in such regions, may materially and adversely affect the Bank's asset quality, financial condition and results of operations.

Deterioration in the debt repayment abilities of local government financing vehicles to which the Bank extends loans may adversely affect the Bank's asset quality, financial condition and results of operations.

Loans extended to local government financing vehicles are a part of the loan portfolio for China's commercial banks. According to the State Council, local government financing vehicles consist of economic entities with independent legal identity, established by local government or its departments and

institutions by fiscal appropriation or injection of land use rights or equity which take the responsibility of financing for government-invested projects. These vehicles primarily provide support to various infrastructure development and quasi-public interest government investment projects.

In recent years, with the aim of reinforcing the risk management of loans to local government financing vehicles, the State Council, National Financial Regulatory Administration (the "**NFRA**"), former China Banking and Insurance Regulatory Commission ("**CBIRC**") and the PBOC, along with several other PRC regulatory authorities, promulgated a series of notices, guidelines and other regulatory documents to direct PRC banks and other financial institutions to optimise and strengthen their risk management measures regarding their loans to local government financing vehicles. The Bank closely tracks changes in the domestic and international macroeconomic environment with a view to continuously prevent and defuse risks in key areas such as local government financing platforms, and for such key regulatory areas, the loan granting control is strictly implemented in accordance with regulatory guidance.

Certain factors, such as unfavourable developments in macroeconomic conditions, adverse changes to state policies, and adverse changes to the financial condition of particular local governments, may adversely affect the debt repayments of these financing platforms, which may in turn materially and adversely affect the Bank's asset quality, financial condition and results of operations.

The Bank's loan classification and provisioning policies may be different in certain respects from those applicable to banks in certain other countries or regions.

The Bank classifies its loans using a five-category loan classification system in accordance with the guidelines set forth by the PRC regulators. The five categories are normal, special mention, substandard, doubtful and loss. The Bank assesses its loans for impairment, determines a level of allowance for impairment losses and recognises any related provisions made in a year using the five-category classification system. The Bank performs such assessment, determination and recognition using the concept of impairment under IFRS 9. For the Bank's corporate loans classified as substandard or lower, the Bank makes an assessment on the impairment allowance on an individual loan basis. For the Bank's performing corporate loans and all of its retail loans, the Bank makes a collective assessment based on its historical loan loss experience. The Bank's loan classification and provisioning policies may be different in certain respects from those of banks incorporated in certain other countries or regions. As a result, the Bank's loan classification as well as its allowance for impairment losses, as determined under the Bank's loan classification and provisioning policies, may differ from those that would be reported if the Bank was incorporated in those countries or regions.

The Bank has expanded its wealth management and trust plan businesses in recent years, and any adverse developments or changes in relevant regulatory policies could materially and adversely affect the Bank's business, financial condition, results of operations and prospects.

In recent years, with the slowdown in the growth of deposits in the PRC banking industry as a whole, competition for deposits among commercial banks has become increasingly intense. In response to such competition, PRC commercial banks, including the Bank, have been expanding their extensive wealth management businesses.

The Group's income from extensive wealth management includes the fee and commission income from wealth management, asset management and custody business. Such income can be adversely affected by insufficient effective demand and downturn in the capital market. For the year ended 31 December 2025, the Group's fee and commission income from wealth management amounted to RMB26.711 billion, representing a year-on-year increase of 21.39%, of which: (1) income from agency distribution of insurance policies amounted to RMB5.823 billion, representing a year-on-year decrease of 9.37%, which was mainly due to changes in business structure; (2) income from agency distribution of wealth management products was RMB9.347 billion, representing a year-on-year increase of 18.98%, which was mainly driven by the growth of the volume of agency distribution and the optimisation of product structure; (3) income from agency distribution of funds amounted to RMB5.846 billion, representing a year-on-year increase of 40.36%, which was mainly due to the year-on year increase in the holding volume

and sales of equity funds; (4) income from agency distribution of trust schemes amounted to RMB3.518 billion, representing a year-on-year increase of 65.55%, which was mainly due to the increase in the volume of agency distribution of trust schemes; and (5) income from securities brokerage was RMB1.801 billion, representing a year-on-year increase of 62.55%, which was mainly due to the increasing customer demand for securities transactions in Hong Kong's capital market.

Fee and commission income from asset management for the year ended 31 December 2025 amounted to RMB11.927 billion, representing a year-on-year increase of 10.94%, which was mainly due to the growth in the scale of asset management businesses of subsidiaries. For the same period, commission income from custody business was RMB5.375 billion, representing a year-on-year increase of 9.90%, which was mainly due to the increase of the scale of custody and improved quality and efficiency.

As most of the wealth management products issued by the Bank were non-principal-guaranteed products, the Bank is not liable for losses suffered by investors in these products in principle. However, if investors incur losses on these products, the Bank's reputation may be damaged and its prospects, for its wealth management and trust plan businesses and otherwise, may suffer. In addition, the terms of wealth management products are often shorter than that of the underlying assets. This mismatch subjects the Bank to liquidity risk and requires it to issue new wealth management products, sell the underlying assets, or otherwise address the funding gap when existing matured wealth management products.

PRC regulatory authorities have introduced regulatory policies with respect to operations of wealth management and trust plan businesses by PRC commercial banks. If PRC regulatory authorities implement further regulations restricting the wealth management and trust plan businesses of PRC commercial banks, the Bank's business, financial condition, results of operations and prospects could be materially and adversely affected.

Consolidated quarterly financial information of the Bank has not been audited or reviewed.

Where consolidated quarterly financial information is incorporated by reference into this Offering Circular, none of such consolidated quarterly financial information in respect of the three months ended 31 March and nine months ended 30 September of each financial year of the Bank has been audited or reviewed by any auditors and such financial information may not provide the same type or quality of information associated with information that has been audited or reviewed. Potential investors must exercise caution when using such data to evaluate the Bank's financial condition and results of operation and must not place undue reliance on such financial information.

The Bank is subject to interest rate risk.

The Bank's net interest income is affected by changes in interest rates. The Group's net interest income represented 62.67% and 63.92% of its total net operating income[2] in the years ended 31 December 2024 and 2025, respectively. Increasing competition in the banking industry and further liberalisation of the interest rate regime may result in more volatility in interest rates. Changes in the PBOC benchmark interest rates or volatility in market interest rates may adversely affect the Bank's net interest income, which may affect its business, financial condition and results of operations.

The PBOC publishes and adjusts benchmark interest rates on loans and deposits from time to time. For example, with effect from 22 November 2014, 1 March 2015, 11 May 2015, 28 June 2015 and 26 August 2015 and 24 October 2015, respectively, the PBOC lowered the benchmark interest rates on RMB-denominated loans and deposits six times. On 22 November 2014, the PBOC allowed financial institutions to set interest rates on RMB-denominated deposits at up to 120% of PBOC benchmark rates, which was increased to 130% and then 150% of PBOC benchmark rates on 1 March 2015 and 11 May 2015, respectively. With effect from 26 August 2015, the PBOC removed the cap on the interest rates on

[2] Net operating income is the sum of net interest income, net fee and commission income, other net income as well as share of profits of joint ventures and associates.

RMB-denominated time deposits with tenors of longer than one year, while the cap on the interest rates on RMB-denominated demand deposits and time deposits with tenors up to one year remain unchanged. With effect from 24 October 2015, the PBOC ceased to set upper limits of RMB-denominated deposit interest rates for commercial banks and rural cooperative financial institutions. On the other hand, the PBOC continues to liberalise the restrictions on interest rates for loans. For example, on 20 July 2013, the PBOC eliminated the minimum interest rate requirements for RMB-denominated loans. On 20 August 2020, the ceiling on private lending interest rate was significantly lowered to 15.4%, which was four times the then China loan prime rate of 3.85%, from the previous ceiling, which was set between 24% to 36%. On 20 March 2026, the ceiling on private lending interest rate was further decreased to 12.0%, which was four times the then China one-year loan prime rate of 3.0%. There is no assurance that the ceiling on private lending interest rate will not be further lowered in the future nor is there assurance that such adjustments in interest rate caps will not have a material adverse impact on the Bank's business, financial condition and results of operations.

The PRC Banking Regulatory Authority (as defined below) may further liberalise the existing interest rate restrictions in the future. If the existing regulations were substantially liberalised or eliminated, loan-deposit spreads in the PRC banking industry may further narrow due to market competition, which may materially reduce the Bank's net interest income. Furthermore, the Bank cannot assure that it will be able to diversify its businesses and adjust the composition of its asset and liability portfolios and its pricing mechanism to enable it to effectively respond to the further liberalisation of interest rates.

In addition, major overseas economies have implemented various interest rate policies recently, amid geopolitical tensions around the world and the everchanging economy status in each of such major economy. This could lead to PBOC interest rate policy adjustments to the benchmark interest rates on loans or deposits, or any changes in market interest rates, which may negatively impact the Bank's financial condition and results of operations. For example, changes in the PBOC benchmark interest rates could affect the average yield on the Bank's interest-earning assets and the average cost on its interest-bearing liabilities to different extents and may narrow the Bank's interest margin, leading to a reduction in its net interest income. In particular, the yield arising from the Bank's investment in debt securities is affected by changes in interest rates. As at 31 December 2025, the Group's total investment securities and other financial assets[3] was RMB4,152.347 billion, which represented 31.77% of the Group's total assets. As at 31 December 2024, the Group's total investment securities and other financial assets was RMB3,705.919 billion, which represented 30.50% of the Group's total assets. Changes in market interest rates may affect the yield from the Bank's investments in debt securities and thus may further adversely affect the Bank's business, financial condition and results of operations.

It should also be noted that changes in interest rates, changes in relationship between short-term and long-term interest rates, or changes in relationship between different types of interest rates can affect the interest rate charged on interest-earning assets to different degrees from the interest rate paid on interest-bearing liabilities. This impact may be increased by the Bank's inability to adjust to rate changes with respect to the fixed rate portions of its portfolio.

A reduction in interest rates for deposits could cause the Bank's depositors to withdraw their funds from the Bank, while an increase in interest rates for loans could result in increases in the financing costs of the Bank's customers, reduce overall demand for loans and increase the risk of customer default. How the Bank manages interest rate volatility generally will determine, to a certain extent, the impact of such volatility on the Bank's net interest and dividend income, and the Bank cannot assure investors that it will be able to manage such volatility in a manner that does not adversely affect its business, financial condition and results of operations.

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[3] Total investment securities and other financial assets include financial investments at fair value through profit or loss, derivative financial assets, debt investments at amortised cost, debt investments at fair value through other comprehensive income, equity investments designated at fair value through other comprehensive income and investments in joint ventures and associates.

The Bank is subject to currency risk.

The value of the RMB against the USD and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. On 21 July 2005, the PRC government adopted a managed floating exchange rate system to allow the value of the RMB to fluctuate within a regulated band that is based on market supply and demand and with reference to a basket of currencies. On the same day, the value of the RMB appreciated by approximately 2% against the USD. The PRC government has since made further adjustments to the exchange rate system. The PBOC further enlarged the floating band for the trading prices on the interbank spot exchange market of the RMB against the USD to 1.0% around the median rate on 16 April 2012. On 17 March 2014, the PBOC decided to further enlarge the floating band for the trading prices on the interbank spot exchange market of RMB against USD to 2.0%. On 11 August 2015, the PBOC announced to improve the central parity of RMB against USD by authorising market-makers to provide parity to the China Foreign Exchange Trading Centre with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign currencies as well as changes in exchange rates of major international currencies. On the same day, the central parity of RMB against the USD depreciated by nearly 2% as compared to 10 August 2015, and further depreciated by nearly 1.6% on 12 August 2015 as compared to 11 August 2015. Following the gradual appreciation against the USD in 2017, the RMB experienced depreciation in value against the USD followed by a fluctuation in 2018 and early 2019. The exchange rate between RMB and USD has been experiencing fluctuations in recent years due to various matters such as geopolitical tensions and economic slowdown around the world. With the development of the foreign exchange market and progress towards interest rate liberalisation and RMB internationalisation, the PRC government may in the future announce further changes to the exchange rate system. There can be no assurance that the RMB will not experience significant depreciation or appreciation against the USD or against any other currency in the future.

The Bank is subject to currency risk arising from losses incurred by unfavourable exchange rate fluctuations on its foreign exchange exposures resulting from the unmatched currency structure between foreign currency-denominated assets and foreign currency-denominated liabilities. Changes of exchange rates in the future may materially and adversely affect the Bank's business, financial condition and results of operations.

The Bank is subject to liquidity risk.

Customer deposits are the Bank's primary funding source. As at 31 December 2024 and 2025, the Group's total deposits from customers amounted to RMB9,096.587 billion and RMB9,836.130 billion, respectively. However, there are many factors affecting the growth of deposits, some of which are beyond the Bank's control, such as economic and political conditions, the availability of alternative investment choices and retail customers' changing perceptions toward savings.

However, the Bank cannot assure investors that its depositors will not withdraw their demand deposits or will roll over their time deposits upon maturity. If the Bank fails to maintain its growth rate in deposits or if a substantial portion of its depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, the Bank's liquidity position, financial condition and results of operations may be materially and adversely affected. In case of such events, the Bank may need to seek more expensive sources of funding to meet its funding requirements.

The Bank's ability to obtain additional sources of funding may be affected by factors such as deterioration of market conditions and disruptions to financial markets. If the Bank fails to secure required funding on a timely basis or at terms or levels which are acceptable, the Bank may face liquidity risk which may adversely affect its business, financial condition, and results of operations.

In addition, the Bank relies on the inter-bank money market to obtain a portion of its funding, including the portion of funds that are used to manage its liquidity. Any fluctuation in liquidity or funding costs on the inter-bank money market, including those fluctuations as a result of financial or other crisis or changes in the central bank's policies or practices affecting the liquidity of other banking institutions, may materially and adversely affect the Bank's ability to fund its business and manage its liquidity through the inter-bank money market at a reasonable cost, or at all.

The Bank may not be able to maintain the growth of its retail finance business.

The growth in the Bank's retail banking business has contributed significantly to its operating income and its profitability in recent years. The Group's profit before tax from retail finance increased from RMB90.644 billion for 2024 to RMB90.676 billion for 2025. The Bank may not be able to maintain its competitive position or sustain the growth of its retail banking business due to increasing market saturation and competition, changes in government regulations in the retail banking and credit card segments and other factors, any of which may materially and adversely affect the Bank's financial condition and results of operations.

For example, on 26 February 2013, the General Office of State Council promulgated the Notice of the General Office of the State Council on Continuing Regulation and Control of Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》), which requires banking institutions to carry on strict implementation of the differentiated housing credit policies, further implement the policy of down payment ratio and lending rate for loan of the first-set housing, rigidly tighten the credit policies for the second set (or more sets) of housing, and strictly impose a 20% personal income tax on the profit generated from sale of residential property. Such measures may slow down the development of residential real estate market, hinder the increase of housing mortgages, and reduce the average amount of housing mortgages, and thus have an adverse impact on the increase of the Bank's retail finance business. On 29 September 2014, the PBOC and the former China Banking Regulatory Commission (the "**CBRC**") jointly promulgated the Notice on Further Improving Financial Services for Housing (《關於進一步做好住房金融服務工作的通知》), which allows households owning only one residential property and having paid all mortgages on such property to enjoy the benefit of first-time home buyers under certain circumstances. On 18 August 2023, the Ministry of Housing and Urban-Rural Development, the PBOC, and the NFRA have promulgated a series of relaxation policies, including the Notice on Optimizing the Criteria for Determining the Number of Housing Units in Individual Housing Loans (《住房城鄉建設部、中國人民銀行、金融監管總局關於優化個人住房貸款中住房套數認定標準的通知》) and the Notice on Adjusting and Optimizing the Differential Housing Credit Policy (《中國人民銀行、國家金融監督管理總局關於調整優化差別化住房信貸政策的通知》). These policies have expanded the scope of buyers who are qualified for first-time mortgage rates and reduced mortgage rates on existing first-home loans. Notwithstanding such relaxation, the PRC government has not abandoned its position that real estate should serve residential purposes instead of speculative investment. Therefore, it remains uncertain whether these latest relaxation policies will effectively address the slowdown in the PRC's residential market.

The expansion of the Bank's retail finance businesses also increases the Bank's exposure to changes in economic conditions affecting Chinese consumers. For example, a slowdown in China's economic development, inflationary pressures and interest rate hikes could adversely affect the ability of retail borrowers and credit card holders to make payments, thereby increasing the probability of defaults and reducing the demand for retail loans and credit cards. Such a slowdown may also reduce the demand for the Bank's non-interest-based products and services, which could result in a reduction, among other things, of the Bank's credit card transaction volume and sales of investment products. Accordingly, economic difficulties in China that have a material adverse effect on Chinese consumers could materially and adversely affect the Bank's financial condition and results of operations.

The Bank may be unable to meet regulatory requirements relating to capital adequacy.

Following the issuance of Basel III in December 2010, on 27 April 2011, the former CBIRC issued new guidelines setting more stringent capital adequacy, leverage, liquidity and loan loss provisioning requirements for PRC banks in accordance with the reform of China's banking industry and the related

regulatory framework. On 7 June 2012, the former CBRC further issued the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (the "**Capital Regulation**"), which in view of the new international capital regulatory framework and the spirit of Basel II and Basel III, establish a unified and comprehensive regulatory system for capital adequacy, re-define the term "**capital**", expand the scope of capital risk coverage and set forth different regulatory requirements for commercial banks with different capital adequacy levels. Also, the rules set forth a new method for calculate the capital adequacy ratio and provide a transition period for PRC commercial banks to meet their capital adequacy requirements progressively. The Capital Regulation has been effective since 1 January 2013. Pursuant to the Notice of Interim Arrangement for Implementation of the Capital Regulation (《中國銀監會關於實施<商業銀行資本管理辦法(試行)>過渡期安排相關事項的通知》), the former CBRC encouraged the commercial banks which had satisfied the capital adequacy requirements in the Capital Regulation before the end of 2012 to continue to meet such requirements during the transition period, and the commercial banks which had failed to meet such requirements by the end of 2012 to gradually improve their capital adequacy during the transition period by satisfying the year-by-year capital adequacy requirements. On 1 January 2024, the NFRA issued the Regulation Governing Capital of Commercial Banks (《商業銀行資本管理辦法》) (the "**New Capital Regulation**"), replacing the existing Capital Regulation. Consequently, the Bank is obligated to maintain a minimum core tier one capital adequacy ratio of 5%, a minimum tier one capital adequacy ratio of 6%, and a minimum capital adequacy ratio of 8%. The New Capital Regulation also imposes higher standards for the quality and quantity of the Bank's capital, and after the implementation of these measures, there are more stringent definition of capital, and further improved regulatory standards for capital instruments.

In December 2020, the PBOC and the former CBIRC issued the Assessment Methods for Systemically Important Banks (《系統重要性銀行評估辦法》), which aimed to release a list of systemically important banks in China annually to place these banks under differentiated supervision, so as to reduce the possibility of their incurring material risks and prevent systemic risks. The systemic importance scores of sample banks shall be calculated by using quantitative assessment indicators, and supervisory judgments shall be made based on other quantitative and qualitative information, so as to comprehensively assess the systemic importance of sample banks. In September 2021, the PBOC and the former CBIRC further issued Provisions on the Additional Regulation of Systemically Important Banks (Provisional) (《系統重要性銀行附加監管規定(試行)》), which subjected the sample banks to more additional capital requirements. The PBOC, the former CBRC, the former CBIRC or the NFRA (each of the PBOC, the former CBRC, the former CBIRC or the NFRA, as the case may be, the "**PRC Banking Regulatory Authority**") may, based on other quantitative or qualitative auxiliary information, give supervisory judgment recommendation for putting a sample bank with a systemic importance score of less than 100 points on the list of systemically important banks and submit the recommendation to the Central Financial Commission together with the initial list.

As at 31 December 2025, the common equity Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio of the Group under the advanced measurement approach set out in the Capital Regulation were 14.16%, 16.51% and 18.24 %, respectively, representing decreases of 0.70, 0.97 and 0.81 percentage point, respectively, as compared with those at the end of 2024. As at 31 December 2024, the common Tier 1 capital adequacy ratio, Tier 1 capital adequacy ratio and capital adequacy ratio of the Group under the advanced measurement approach set out in the Capital Regulation were 14.86%, 17.48% and 19.05%, respectively, representing increases of 1.13, 1.47 and 1.17 percentage point, respectively, as compared with those at the end of 2023.

As the Bank continues to carry out its business operations in the future, it may be required from time to time to raise additional core or supplementary capital in order to continue to meet the minimum capital adequacy requirements prescribed by the PRC Banking Regulatory Authority. To raise additional capital in order to meet such minimum capital adequacy requirement, the Bank may need to issue additional equity securities that qualify as core capital or additional instruments that qualify as supplementary capital. However, the Bank's ability to obtain additional capital may be restricted by a number of factors, including its future business, financial condition, results of operations and cash flows; necessary government regulatory approvals; its credit rating; general market conditions for capital-raising activities by commercial banks and other financial institutions; and economic, political and other conditions both within and outside the PRC.

The Bank cannot assure investors that it will be able to obtain additional capital on commercially acceptable terms or in a timely manner, or at all. As such, there can be no assurance that the Bank will continue to be able to comply with the capital adequacy requirements. Furthermore, the PRC Banking Regulatory Authority may increase the minimum capital adequacy requirements or change the methodology for calculating regulatory capital or capital adequacy ratios or the Bank may otherwise be subject to new capital adequacy requirements. If the Bank's capital adequacy ratio does not meet the regulatory requirements, the regulatory authorities may adopt certain correction measures including, but not limited to, restricting the growth of the Bank's risk-bearing assets, suspending all of its operation activities other than low-risk business, as well as restricting its dividend payment, which may adversely affect the Bank's business, financial condition and results of operations.

The Bank's expanding range of products and services exposes it to new risks.

The Bank intends to expand its range of products and services in order to meet the needs of its customers and to expand its business. Some of the Bank's new products and services in the past have contributed significantly to its operating results or are expected to provide it with competitive advantages, such as the All-in-one multifunction debit card and credit card, the All-in-one Net online banking services, new fintech infrastructure and the Sunflower Wealth Management services, as well as certain loan products rolled out to small businesses (through the Bank's small enterprise credit centres) and to the Bank's corporate customers with operations in both the PRC and Hong Kong (through CMB Wing Lung Bank Limited or otherwise). Expansion of the Bank's business activities exposes it to certain risks and challenges, including the following:

- the Bank may not have sufficient experience or expertise in certain new products and services and may not compete effectively in these areas;
- the Bank's new products and services may not be accepted by its customers or meet its expectations for profitability;
- the Bank may need to hire additional qualified personnel who may not be available or available on commercially reasonable terms;
- the Bank may lack adequate financial, operational, management and other human resources to support the new products and services;
- the Bank may fail to obtain regulatory approval for its new products or services; and
- the Bank may not be successful in enhancing its risk management and internal control capabilities and information technology systems to support a broader range of products and services.

If the Bank is not able to achieve the intended results with respect to its new products and services, its business, financial condition and results of operations may be materially and adversely affected.

The Bank may fail to effectively implement risk management and internal control policies and procedures and introducing certain information technology systems to assist it with its risk management and internal controls.

The Bank cannot assure investors that its risk management and internal control policies and procedures will adequately control, or protect it against, all credit and other risks. The Bank also cannot assure investors that its employees will be able to consistently comply with or correctly apply these policies and procedures.

The Bank's risk management capabilities are limited by the information, tools or technologies available to it. For example, the Bank may not be able to effectively monitor credit risk due to limited information resources or tools. The Bank's ability to operate its risk management systems and monitor and analyse the effectiveness of such systems is still subject to continued testing. If the Bank is not effective in improving its risk management and internal control policies, procedures and systems, or if the intended results of such policies, procedures or systems are not achieved in a timely manner, the Bank's asset quality, business, financial condition and results of operations may be materially and adversely affected.

The Bank may not be able to detect and prevent fraud or other misconduct committed by its officers, employees or third parties.

There have been a number of publicised cases involving fraud or other misconduct by officers, employees or third parties in connection with financial institutions in China in recent years. Fraud and other misconduct by officers or employees (at the headquarter or branch levels) or third parties may be difficult to detect and prevent and could subject the Bank to financial losses and sanctions imposed by governmental authorities or could seriously harm the Bank's reputation. Types of misconduct by the Bank's officers or employees in the past have included, among other things, theft, embezzlement or misappropriation of customer funds; mishandling of customer deposits and settlement of payment transactions; improper extensions of credit; improper accounting; fraud; and acceptance of bribes. Types of possible misconduct by third parties against the Bank may include, among other things, fraud, theft, robbery and certain armed crimes. The types and incidents of fraud and other misconduct by officers, employees or third parties against the Bank may go beyond those detected in the past. In addition, the Bank's officers or employees may commit errors or take improper actions that could subject it to financial or other claims and regulatory actions. Although the Bank has in the past and is at present continually increasing its efforts to detect and prevent officer, employee and third-party fraud or other misconduct, it is not always possible to detect or prevent such activities, and the precautions the Bank takes may not be effective in all cases. The Bank may also need to implement more extensive or different measures and procedures in the future in response to changes in the legal and regulatory environment or to changes in technology and business practices, which could result in additional cost and may not be effective in strengthening the Bank's compliance frameworks as anticipated. The Bank cannot assure investors that fraud or other misconduct, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on its reputation, results of operations and business prospects.

The Bank is subject to reputational and general confidence risks related to its business operations.

With the rapid development of the financial industry and social media technology, the public (including customers of the Bank) is paying increasing attention to the banking industry and communicating any negative sentiments widely through social media or other form of internet network related to banks' services quality, their operations and management and compliance issues. Such communication may reflect negative feedback from the Bank's customers, investors and other stakeholders about the Bank's services, operations, management or compliance with applicable laws and regulations or codes of conduct. Such adverse publicity if not managed swiftly or adequately could deter existing or potential customers from using the Bank's services and may adversely affect the Bank's operations and business, causing a liquidity crisis in an extreme case.

Within the banking industry, the banks have close interbank relationships with one another and interbank deposits and lending are relatively common. If a certain bank does not operate properly or becomes insolvent, a chain reaction may occur, which may trigger a confidence crisis towards the whole banking industry, and adversely affect the Bank's financial condition and results of operations.

The Bank has expanded its business into jurisdictions other than the PRC, which has increased the complexity of the risks that it faces.

In recent years, the Bank has taken actions to expand its international operations. On 8 October 2008, the Bank's New York branch, which is located in the borough of Manhattan of New York City, commenced operations. In January 2009, the Bank completed the acquisition of Wing Lung Bank, a banking group primarily operating in Hong Kong, with branch offices in Los Angeles, the Cayman Islands, Macau and the PRC. The Bank opened a representative office in London in June 2009 and one in Taipei in March 2011. In November 2013, the Bank opened its Singapore branch. In March 2015, the Bank opened its Luxembourg branch. In 2016, the Bank opened its London branch. In 2017, the Bank opened its Sydney branch. In 2025, the Bank opened its Melbourne branch. The Bank's expansion into jurisdictions outside of the PRC may subject it to new regulatory and operational challenges and risks, and has also increased the complexity of its risks in a number of areas, including currency risk, interest rate risk, regulatory and compliance risk, reputational risk and operational risk. The loan portfolio of the Bank's international branches includes foreign currency-denominated loans to Chinese companies engaged in international trade. This exposes it to additional risks including default risk resulting from the failure in the performance of the import or export agreements by any party, trade protectionist measures or other factors, and the Bank's inexperience in various aspects of the economic and legal framework in overseas markets. Adverse market conditions in these international jurisdictions may result in mark-to-market and realised losses on the investment assets held by the Bank's overseas branches and increase their cost of funding.

Furthermore, despite the Bank's efforts to comply with all applicable regulations in all the jurisdictions in which it operates, there may be incidences of the Bank's failure to comply with the regulations in certain jurisdictions. Regulators have the power to bring administrative or judicial proceedings against the Bank or its employees, representatives, agents and third-party service providers, which could result, among other things, in suspension or revocation of one or more of the Bank's licences, cease and desist orders, fines, civil penalties, criminal penalties, or other disciplinary actions. In addition, the global financial crisis has led, and may continue to result in, significant regulatory changes in various jurisdictions, including those in which the Bank has operations. These changes may include changes with respect to capital and liquidity ratios, cross-border capital flows and consumer protection. The extent and impact of such changes is difficult to anticipate and estimate and such changes could have an adverse impact on the Bank's growth, capital adequacy, and profitability. If the Bank is unable to manage the risks resulting from its international expansion, its business, reputation, results of operations and financial condition may be adversely affected.

The Group may be affected by Basel III Reforms and related reforms and the Financial Institutions (Resolution) Ordinance.

The Basel Committee has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks which are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before taxpayers are exposed to loss (the "**Basel III Reforms**"), the principal elements of which are set out in its papers dated 16 December 2010 (as revised in June 2011) and its press release dated 13 January 2011. The implementation of the Basel III Reforms in the PRC is currently under way. In addition to Basel III Reforms, many jurisdictions have started to propose various reforms related or similar to the Basel III Reforms. As the Group operates its business globally, it may the subject of recent international regulatory guidance and proposals for reform.

In particular, any Notes issues made by the Hong Kong Branch of the Bank may be subject to local regulations. On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may in the future include members of the Group (a "**FIRO Group Entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority may

have the ability to resolve other entities within the Group as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the relevant entity. The implementation of FIRO remains untested and certain details relating to FIRO has been or will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries or other Group entities, the Bank's operations and/or its financial position.

The Bank's acquisitions and the integration of acquired businesses may not result in the benefits anticipated.

The Bank has in the past and may in the future continue expanding its business by acquiring other businesses. On 15 January 2009, the Bank completed the acquisition of 100% equity interest in Wing Lung Bank in order to expand its operations in Hong Kong. The Bank is in the process of integrating the business of CMB Wing Lung Bank Limited and its subsidiaries ("**CMB Wing Lung Group**"). However, there is no guarantee that the Bank's acquisition will achieve the anticipated positive results, including results relating to the total cost of integration, the time required to complete the integration, the new business developed and the Bank's overall performance after the acquisition, or price for its common stock. Integration of an acquired business can be complex and costly, involving, among other things, combining relevant accounting and data processing systems and management controls, managing relevant relationships with employees, clients, depositors and other business partners and reconciling different corporate cultures. An unsuccessful integration process may result in business disruptions, loss of clients and depositors, inconsistencies in standards, controls, procedures and policies and loss of key employees. Integration efforts could also divert management attention and resources and require additional costs, which may adversely affect the Bank's operations.

As the Bank's wholly-owned subsidiary, CMB Wing Lung Group's financial condition and business operations directly affect the Bank's financial condition and business operations. For the years ended 31 December 2024 and 2025, CMB Wing Lung Group recorded profit attributable to shareholders of HK$2.292 billion and HK$4.292 billion, respectively. The Bank cannot assure investors that CMB Wing Lung Group will continue to be profitable, or its profitability will maintain at a desirable level. If CMB Wing Lung Group recognises a net loss, the Bank's results of operations could be adversely affected.

In addition, the acquisition of CMB Wing Lung Group subjects the Bank to some additional risks that the business of CMB Wing Lung Group is subject to, such as the economic and political condition of Hong Kong, regulatory changes affecting the business of commercial banks in Hong Kong, risks related to the insurance and securities brokerage business conducted by CMB Wing Lung Group companies and the international banking business conducted through CMB Wing Lung Group's overseas branches, and any occurrence of a natural disaster or health epidemics in Hong Kong. If CMB Wing Lung Group's business operation deteriorates as a result of any of the foregoing factors, the Bank's financial condition and results of operations could be adversely affected. Furthermore, the acquisition of CMB Wing Lung Group exposes the Bank to foreign exchange risks. The Bank needs to convert the financial statements of CMB Wing Lung Group originally presented in Hong Kong dollars to Renminbi in order to prepare the Bank's consolidated financial statements. A significant depreciation of the Hong Kong dollar against the Renminbi may adversely affect the Bank's results of operations and financial conditions. The Bank may also be subject to similar risks and difficulties in connection with any future acquisitions.

The Bank is subject to credit risk in respect of certain commitments and guarantees.

In the ordinary course of business, the Bank makes commitments and guarantees that are not reflected on its balance sheet, including the provision of financial guarantees and letters of credit to guarantee the performance of the Bank's customers to third parties and bank acceptances. The Bank is subject to credit risk on its commitments and guarantees because certain commitments and guarantees may need to be fulfilled as a result of non-performance by its customers. If the Bank is not able to obtain payment from its customers in respect of these commitments and guarantees, its financial condition and results of operations may be adversely affected.

The Bank is subject to counterparty risks in its derivative transactions.

The Bank acts primarily as an intermediary in domestic and international foreign exchange and derivative markets, and currently has foreign currency forward and swap arrangements with a number of domestic and international banks, financial institutions and other entities. The Bank has also entered into interest rate swap arrangements. As at 31 December 2025, the notional amount of the Group's outstanding derivative financial instruments amounted to RMB5,515.300 billion, and the fair values of its outstanding derivative assets and liabilities amounted to RMB18.823 billion and RMB18.652 billion, respectively. As at 31 December 2024, the notional amount of the Group's outstanding derivative financial instruments amounted to RMB4,098.071 billion, and the fair values of its outstanding derivative assets and liabilities amounted to RMB32.533 billion and RMB31.583 billion, respectively. The Bank cannot assure investors that counterparties with significant exposures will not face difficulty in paying the amounts on derivative contracts when due, which may result in financial losses to the Bank.

The Bank's business is highly dependent on the proper functioning and improvement of its information technology systems.

The Bank's business is highly dependent on the ability of its information technology systems to accurately process a large number of transactions across numerous and diverse markets and its broad range of products in a timely manner. The proper functioning of the Bank's financial control, risk management, accounting, customer service and other data processing systems, together with the communication networks between its various branches and sub-branches and its main data processing centres, are critical to the Bank's business and its ability to compete effectively. The Bank has backup data for its key data processing systems and has established a backup system to carry on principal functions in the event of a catastrophe or a failure of its primary systems. The Bank has also intensified the innovative application of new technologies and the application scenarios for new emerging technologies such as artificial intelligence ("**AI**") to digitalise its financial services and business operations. However, the Bank cannot assure investors that its operations will not be materially disrupted if there is a partial or complete failure of any of these primary information technology systems or communications networks. Such failures could be caused by, among other things, physical or electronic break-ins, cyber-attacks, software bugs, computer virus attacks or conversion errors due to system upgrading, extended power outages, failure of service from the Bank's telecommunications provider, fires and natural disasters.

The Bank's business generates and processes a large quantity of personal and transaction data. The Bank faces risks inherent in handling large volumes of data and in protecting the security of such data. The Bank is also required to protect the personal data and confidential information of its customers under various laws, regulations and rules. Any security or privacy breach of these databases could expose the Bank to liability, including regulatory fines or penalties, increase its expenses relating to the resolution of these breaches and the mitigation of their impact on affected individuals, harm the Bank's reputation and deter customers, which could have a material adverse effect on the Bank's business, financial condition, financial returns and results of operations.

The Bank is subject to domestic and international laws relating to the collection, use, retention, security, and transfer of personally identifiable information, with respect to its customers and employees. In many cases, these laws do not only apply to third-party transactions, but may also restrict transfers of personally identifiable information among the Bank and its branches and subsidiaries in other jurisdictions. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause the Bank to incur substantial costs or require it to change its business practices, and failure to comply with any data protection laws could subject the Bank to significant penalties and negative publicity and severely disrupt its operations.

The proper functioning of the Bank's information technology also depends on accurate and reliable data and other system input, which is subject to human errors. Any failure, mistake or delay in recording or processing the Bank's transaction data could subject it to claims for losses and regulatory fines and penalties. In addition, any security breach caused by unauthorised access to information or systems, loss or corruption of data and malfunction of software, hardware or other computer equipment could have a material adverse effect on the Bank's business, reputation, results of operations and financial condition.

The Bank's ability to remain competitive will depend in part on its ability to upgrade its information technology systems on a timely and cost-effective basis. In addition, the information available to and received by the Bank through its existing information technology systems may not be timely or sufficient for it to manage risks and plan for, and respond to, market changes and other developments in its current operating environment. As a result, the Bank is making, and intends to continue to make, investments to improve or upgrade its information technology systems. Any substantial failure to improve or upgrade the Bank's information technology systems effectively or on a timely basis could materially and adversely affect its competitiveness, financial condition and results of operations.

The Bank's largest shareholder is able to exercise significant influence over it.

The Bank does not have any controlling shareholder or *de facto* controller. However, China Merchants Group Ltd. through its subsidiaries indirectly held an aggregate of 29.97% of the Bank's outstanding shares as at 31 December 2025, remaining the same as the shareholding as at 31 December 2024. As such, while fully complying with the Bank's articles of association and the applicable laws and regulations, China Merchants Group Ltd. may be able to exercise significant influence over the Bank's business, including matters relating to:

- the timing and amount of the distribution of dividends;
- the issuance of new securities;
- the election of directors;
- the Bank's business strategies and policies;
- any plans relating to mergers, acquisitions, joint ventures, investments or divestitures; and
- amendments to the Bank's articles of association.

If the interests of China Merchants Group Ltd. are not consistent with the interests of the Noteholders, it is possible that China Merchants Group Ltd. may take actions that are not in the best interests of the Noteholders.

The Bank is subject to various PRC and overseas regulatory requirements, and its failure to fully comply with such requirements could materially and adversely affect the Bank's business, financial condition, results of operations and its reputation.

The Bank is subject to various PRC and overseas regulatory requirements, and the PRC and overseas regulatory authorities conduct periodic inspections, examinations and inquiries in respect of the Bank's compliance with such requirements. These inspections, examinations and inquiries have from time to time revealed weaknesses in certain areas of the Bank's operations, such as risk management and internal controls. On occasion the Bank has failed to meet certain requirements and guidelines set by the PRC regulatory authorities, or was found to have violated certain regulations. The Bank cannot assure investors that it will be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Bank for failing to comply with applicable requirements, guidelines or regulations, its business, financial condition, results of operations and reputation may be materially and adversely affected.

In particular, the Bank may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and harm its business or reputation. The Bank is required to comply with applicable anti-money-laundering, anti-terrorism laws, economic sanctions and other regulations in the PRC, the United States, Hong Kong, the Cayman Islands, the United Kingdom, the European Union and other jurisdictions where the Bank has operations. These laws and regulations require it, among other things, to adopt and enforce "**know your customer**" policies and

procedures and to report suspicious and large transactions to the applicable regulatory authorities in different jurisdictions. Some branches of the Bank have in the past been subject to administrative fines and penalties imposed by regulatory agencies in the PRC for, among other things, incidences of non-compliance with the PRC anti-money laundering rules. While the Bank has adopted policies and procedures aimed at detecting and preventing the use of its network for money laundering activities and by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances where the Bank may be used by other parties to engage in money laundering and other illegal or improper activities. The United States currently imposes various economic sanctions, which are administered by the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") and which apply only to U.S. persons and, in certain cases, to foreign subsidiaries of U.S. persons or to transactions involving certain items subject to U.S. jurisdiction. Similar sanctions are administered by the PRC, European Union, United Kingdom, Hong Kong, United Nations Security Council and other applicable jurisdictions. These sanctions are intended to address a variety of policy concerns, among other things, denying certain countries, and certain individuals and entities, the ability to support international terrorism and to pursue weapons of mass destruction and missile programmes.

Sanctions laws are subject to change, sometimes with little advance notice. The Bank has mandatory policies and controls to comply with the relevant sanction programmes. In addition, the Group may from time to time engage in business activities in countries or with entities that are the subject of certain sanctions. Notwithstanding that such business activities may not themselves be subject to sanctions, the Group may face secondary sanctions if it is determined to be providing material support to countries or entities that are the subject of sanctions. The Bank believes it is in compliance with the economic sanctions that are applicable to the Group's activities. However, if the Group is in the future determined to have engaged in any prohibited transactions or otherwise violated applicable sanctions regulations, the Group could be subject to penalties and sanctions and its reputation and ability to conduct future business in the relevant jurisdictions may be materially and adversely affected. To the extent the Bank may fail to fully comply with applicable laws and regulations, the relevant government agencies to whom it reports have the power and authority to impose fines and other penalties on the Bank. In addition, the Bank's business and reputation could suffer if customers use the Bank for money laundering or illegal or improper purposes.

The Bank's business and operations are directly affected by changes in China's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which the Bank can engage in specific businesses, as well as changes in other governmental policies. The banking regulatory regime in China is currently undergoing significant changes, some of which are applicable to the Bank and may result in additional costs or restrictions on the Bank's activities. The Bank cannot assure investors that the policies, laws and regulations governing the banking industry will not change in the future or that any such changes will not materially and adversely affect its business, financial condition and results of operations, nor can the Bank assure investors that it will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations. Failure to comply with the applicable policies, laws and regulations may result in fines and restrictions on the Bank's activities, which could also have a significant impact on the Bank's business.

The Bank is subject to risks related to PBOC's changes in filing requirements.

On 11 January 2017, the PBOC issued the Circular of the People's Bank of China on the Macro-prudence Management of Cross-border Financing in Full Aperture (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) (the "**Cross-border Financing Circular**"), which came into effect on the same date. The Cross-border Financing Circular established a mechanism aimed at regulating cross-border financing activities conducted by domestic institutions, including domestic enterprises and financial institutions other than the governmental financing platforms and real estate enterprises, based on the capital or net asset of the borrowing entities using a prudential management principle on a macro nationwide scale.

Neither the PBOC nor the State Administration of Foreign Exchange (the "**SAFE**") has promulgated implementation rules of the Cross-border Financing Circular as at the date of this Offering Circular. The filing process for the aforesaid regulations and the interpretation and enforcement of the Cross-border Financing Circular thus involve substantial uncertainties. There is also uncertainty as to whether the Issuer will fall under the Cross-border Financing Circular.

Certain PRC regulations limit the Bank's ability to diversify its investments, and as a result, a decrease in the value of a particular type of investment may have a material adverse effect on the Bank's financial condition and results of operations.

As a result of current PRC regulatory restrictions, substantially all of the Bank's RMB-denominated investment assets are concentrated in a limited number of investments permitted for PRC commercial banks, such as PRC government bonds, bonds issued by PRC policy banks, bonds and subordinated notes issued by PRC commercial banks, PBOC bills and commercial paper issued by qualified domestic corporations. These restrictions on the Bank's ability to diversify its investment portfolio limit its ability to seek returns on its investments which are comparable with those of banks in other countries or to manage the Bank's liquidity in the same manner as banks in other countries. In addition, the Bank is exposed to a certain level of risk as a result of the concentration of its RMB-denominated investments assets. For example, any deterioration of the financial condition of commercial banks in China would increase the risks associated with holding their bonds and subordinated notes. A decrease in the value of any of these types of investments could have a material adverse effect on the Bank's financial condition and results of operations.

The Bank does not possess the relevant land use certificates or building ownership certificates for some of its properties, and the Bank may be required to seek alternative premises for some of its offices or business premises due to its landlords' lack of relevant title certificates for some leased properties.

The Bank may not be able to obtain certificates for all of its properties and cannot assure investors that its ownership rights would not be adversely affected in respect of properties for which it is unable to obtain the relevant title certificates. If the Bank ceases to hold these properties due to the failure to obtain the relevant land use right certificates or building ownership certificates, or is forced to relocate any of the operations it conducts on the affected properties, it may incur additional costs as a result of such relocation.

In addition, the Bank leases a large number of properties in China, primarily as business premises for its branches and sub-branches. Some of these properties were leased from lessors who were not able to provide the title certificates or documents evidencing the authorisation or consent of the owners of such properties and who did not register the lease. As a result, the validity of the Bank's leases may be subject to legal challenge. In addition, the Bank cannot assure investors that it would be able to renew its leases on terms acceptable to it upon their expiration. If any of the Bank's leases were terminated as a result of challenges by third parties or if it failed to renew them on terms acceptable to it upon expiration, the Bank may be forced to relocate affected branches and sub-branches and incur additional costs associated therewith, and its business, financial condition and results of operations may be adversely affected.

The Bank may not be able to hire, train or retain a sufficient number of qualified staff.

The Bank relies upon the continued service and performance of its employees, including its senior management, as most aspects of the Bank's business depend on the quality of its professional staff. Therefore, the Bank devotes considerable resources to recruiting and training these personnel. However, the Bank faces increased competition in recruiting and retaining these individuals, including its senior management, as other banks are competing for the same pool of potential employees. In addition, the Bank's employees may resign at any time and may seek to divert customer relationships that they have developed while working for the Bank. Most of the Bank's employees are not party to long-term employment contracts with the Bank. The loss of members of the Bank's senior management team or professional staff may have a material adverse effect on its business and results of operations.

Any future occurrence of natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on the Bank's business, financial condition and results of operations.

The PRC has experienced natural disasters like earthquakes, floods and drought in the past few years. Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Bank's business, financial condition and results of operations. There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H5N1 flu, H1N1 flu, H7N9 flu, COVID-19 pandemic or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of these epidemics, will not seriously interrupt the Bank's operations or its customers, which may have a material adverse effect on the Bank's business, financial condition and results of operations.

RISKS RELATING TO THE BANKING INDUSTRY IN THE PRC

The Bank's business is inherently subject to market fluctuations and general economic conditions as well as PRC's economic, political and social conditions, as well as government policies.

A substantial majority of the Bank's businesses, assets and operations are located in the PRC. Accordingly, the Bank's business prospects, financial condition, and results of operations are, to a significant degree, subject to the economic, political and legal developments in the PRC. The PRC government exercises significant control over the PRC's economic growth by allocating resources, setting monetary policy and providing preferential treatment to particular industries or companies. Since 1979, the PRC government has pushed forward a large number of economic reform measures to introduce market forces and promote the establishment of sound corporate governance structure. Such economic reform measures may be adjusted, modified or applied according to different industries and different regions of the country. As a result, the Bank may not benefit from certain of such measures. In addition, the PBOC controls monetary supply through open market operations, and adjustments to the deposit reserve ratio and rediscount rate in order to achieve targeted control over the economy. As commercial banks are a major means to implement monetary policy, changes in monetary policy will affect their operations and profitability. If the Bank cannot timely adjust its operating strategy in response to the changes in monetary policy, its business, financial condition and results of operations may be adversely affected.

The Bank's business is also inherently subject to capital market fluctuations and general economic conditions in the PRC and globally. Market factors, including economic growth rates, inflation, deflation, interest rates, credit spreads, equity prices, real estate markets, energy prices, foreign currency exchange rates, consumer spending, business investment, government spending and the volatility and strength of the capital markets all affect the business and economic environment in the PRC and globally and, ultimately, the amount and profitability of the Bank's business.

The outlook for the world economy and the financial markets remains uncertain. Europe is faced with slowdown in economy growth. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow and outflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty, especially the recent geopolitical conflict around Middle East in Israel, Iran and other relevant countries or areas. From 2022, conflict between Russia and Ukraine and the sanctions imposed by governments in response contributed to further increases in the price of energy, oil and other commodities and to volatility in financial markets globally. The U.S.-China trade conflict has already resulted in the instability of the market, which has weakened the markets and lowered the confidence of consumers, as well as reduced economic growth expectations around the world. All these factors may have adverse impact on the Group's business, financial condition and results of operations.

In addition, as measured by GDP, the PRC has maintained sustainable growth in recent years. China's real GDP growth was 5.0% in 2024 and 5.0% in 2025 respectively. However, the PRC may not be able to sustain such a growth rate. During the recent global economic slowdown, the growth of the PRC's GDP slowed down. Economic development in the PRC in recent year faced and may continue to face uncertainties and potential risks arising from the weakening traditional growth drivers and diminishing demographic advantages, significant overcapacity, the threat of a real estate market downturn and increasing risks associated with credit granted to local government financing platforms and the shadow banking system, while the banking industry faces continuous increases in non-performing loans, increasing complexity of business structures and the acceleration of interest rate liberalisation.

In light of the high level of interdependence of the global economy, any potential market and economic downturns, economic slowdown or geopolitical uncertainties in the PRC, its neighbouring countries or regions or the rest of the world may exacerbate the risks relating to the PRC capital markets. In addition, global economic uncertainty and the fluctuation in the PRC economic growth have precipitated, and may continue to raise the possibility of, fiscal, monetary, regulatory and other governmental actions. The Bank cannot predict whether or when such actions may occur, nor can the Bank predict what ultimate impact, if any, such actions or any other governmental actions could have on its business, results of operations and financial condition. There can be no assurance that the PRC's economy or the global economy will continue to improve or maintain sustainable growth.

Uncertainties in the global and the PRC's economies may adversely affect the Bank's business, financial condition and results of operations in many ways, including, among other things:

- during a period of economic slowdown, there is a greater likelihood that more of the Bank's customers or counterparties could become delinquent in respect of their loan repayments or other obligations to the Bank, which, in turn, could result in a higher level of non-performing loans, allowance for impairment losses and write-offs;

- the increased regulation and supervision by the financial services industry in response to the financial crisis in certain jurisdictions where the Bank operates may restrict its business flexibility and increase its compliance costs;

- the value of the Bank's investments in the equity and debt securities issued by overseas governments and financial institutions may significantly decline;

- the Bank's ability to raise additional capital on favourable terms, or at all, could be adversely affected; and

- trade and capital flows may further contract as a result of protectionist measures being introduced in certain markets, which could cause a further slowdown in economies and adversely affect the Bank's business prospects.

The Bank faces increasingly intense competition in China's banking industry and competition from other investment and financing channels.

The banking industry in China is becoming increasingly competitive. The Bank faces competition in all of the Bank's principal areas of business from commercial banks where the Bank has operations. On 1 July 2013, the General Office of the State Council of the PRC issued Guidance Letter regarding Financial Support for Promoting Economic Restructuring and Transformation (《國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見》) (the "**Guidance Letter**"). The Guidance Letter, among other things, encourages investment by private-sector capital in financial institutions and the establishment of privately-owned banks. The Guidance Letter provides a policy direction to the increasing involvement of private-sector capital in the financial industry in China. The Bank may face increasing competition from privately-owned banks in the future.

The Bank competes with competitors for substantially the same loan, deposit and fee- and commission-based products and services customers. Such competition may materially and adversely affect the Bank's business and future prospects by, for example, reducing the Bank's market share in its principal products and services, reducing its fee and commission income, affecting the growth of its loan or deposit portfolios and their related products and services, and increasing competition for soliciting senior management talent and qualified professional personnel.

In addition, the Bank may face competition from direct corporate financing, such as the issuance of securities in the domestic and international capital markets. The domestic securities markets have experienced, and are expected to continue to experience, expansion and growth. If a substantial number of the Bank's customers choose alternative ways of financing to fund their capital needs, this may adversely affect the Bank's interest income, which could in turn materially and adversely affect its business, financial condition and results of operations.

In addition to competition from other banks and financial institutions, the Bank also faces competition from other forms of investment alternatives in China. In recent years, financial disintermediation, which involves the movement of funds by investors from intermediary financial institutions such as savings and deposit-taking banks to direct investments, has increased in China. The Bank's deposit customers may elect to convert their funds into stocks, bonds and wealth management products, which may result in a decrease in the Bank's customer deposits, therefore further affecting the level of funds available to us for the Bank's lending business to generate net interest income. Meanwhile, financial disintermediation may result in a decrease in the enterprise demand for loans, which could materially and adversely affect the Bank's business, financial condition and results of operations.

The PRC regulators have implemented measures relating to lending to SMEs and the Bank may be subject to future regulatory changes.

The former CBRC and CBIRC have promulgated a series of measures, including the Guidance on Issues Relevant to Establishing Special Agencies for Small Business Lending by Banks (《關於銀行建立小企業金融服務專營機構的指導意見》) and Notice on Further Supporting Commercial Banks' Improvement of Financial Services to Small Enterprises (《關於支持商業銀行進一步改進小企業金融服務的通知》), to encourage banking institutions to implement the PRC government's macroeconomic policies, and, in particular, to proactively support continued healthy economic growth by increasing lending activities to SMEs while effectively controlling risk.

However, SMEs are more vulnerable to fluctuation in the macro-economy as compared to large enterprises due to relatively limited capital, management or other resources required to cope with the adverse impact of major economic or regulatory changes. In addition, SMEs may not be able to provide reliable information necessary for the Bank to assess the credit and interest rate risks involved. In the absence of accurate assessment of the relevant credit and interest rate risks, the non-performing loans of the Bank may be significantly increased if its SME clients are affected by economic or regulatory changes, which could materially and adversely affect the Group's business, results of operations and financial condition.

There can be no assurance that the policies, laws and regulations governing the PRC banking industry, in particular, those relating to lending to SMEs, will not change in the future or that any such changes will not materially and adversely affect the Bank's business, financial condition and results of operations.

The growth rate of the banking industry in China may not be sustainable.

The Bank expects the banking industry in China to continue to grow as a result of anticipated growth in China's economy, increases in household income, further social welfare reforms, demographic changes and the opening of China's banking industry to foreign participants. However, it is not clear how certain trends and events, such as the pace of China's economic growth, the development of the domestic capital and insurance markets and the ongoing reform of the social welfare system will affect China's banking industry. In addition, there can be no assurance that the banking industry in China is free from systemic risks. Consequently, there can be no assurance that the growth and development of China's banking industry will be sustainable.

The effectiveness of the Bank's credit risk management is affected by the quality and scope of information available in the PRC.

National credit information databases developed by the PBOC have been operational only since 2006. In addition, limitations on the availability of information and the developing information infrastructure in the PRC means that national credit information databases are generally under-developed and are not able to provide complete credit information on many of the Bank's credit applicants. Therefore, the Bank's assessment of the credit risk associated with a particular customer may not be based on complete, accurate or reliable information. As a result, the Bank's ability to effectively manage its credit risk may be affected, which may adversely affect its business, financial condition and results of operations.

Certain facts and statistics and information relating to the Bank are derived from publications not independently verified by the Bank, the Dealers or any of their respective directors, employees, representatives, affiliates or advisers.

Certain facts and statistics in this Offering Circular relating to the PRC, its economy and its banking industry are derived from various official and publicly available sources generally believed to be reliable. While the Bank has taken reasonable care to ensure that the facts and statistics or information relating to it presented are accurately extracted from such sources, such facts, statistics and information have not been independently verified by the Bank, the Dealers or any of their respective directors, employees, representatives, affiliates or advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice or other reasons, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon.

Noteholders shall pay attention to the characteristics of the PRC legal system.

The Bank is organised under the laws of the PRC. The PRC legal system is based on written statutes. The PRC government has promulgated laws and regulations dealing with such economic matters as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations continue to evolve, and the interpretation and enforcement of these laws and regulations may also be evolving. In addition, there is only a limited volume of published court decisions which may be cited for reference, but such cases have limited precedent value as they are not binding on subsequent cases. These characteristics relating to PRC laws and regulations shall be taken into consideration by the Noteholders when seeking legal remedies and protections in the PRC.

RISKS RELATING TO THE NOTES ISSUED UNDER THE PROGRAMME

Claims by the Noteholders are structurally/effectively subordinated to other debt.

The Notes are unsecured obligations of the Bank, and payments under the Notes are structurally or effectively subordinated to all secured debt of the Bank to the extent of the value of the assets securing such debt, and to the debt and other liabilities of the Bank's subsidiary companies. The effect of this subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the Bank, the assets of the affected entity could not be used to pay Noteholders until after:

- all secured claims against the affected entity have been fully paid; and
- if the affected entity is the Bank's subsidiary, all other claims against such subsidiary, including trade payables, have been fully paid.

Failure by the Bank to meet its environmental, social and governance ("ESG") or corporate social responsibility ("CSR") targets may have an adverse effect on the Bank's performance.

The Bank takes its corporate social responsibilities seriously and persists in financial improvement and financial excellence, fully integrates the ESG concept into its daily operation and management and works with stakeholders to create an inclusive, sustainable and resilient future. In line with its philosophy, the Bank has issued several series of ESG related notes (the "**ESG Notes**") under the Programme.

In respect of the Bank's ESG Notes and green finance credit and loans, the Bank may have agreed to obligations relating to reporting and disclosure, environmental and social targets and specified use of proceeds. Furthermore, the Bank also publishes its CSR reports annually, which set out the Bank's implementation strategies, targets and goals and proposed business processes and standards, with respect to ESG and CSR. Any failure by the Bank to meet any of the targets, strategies, goals, processes and standards mentioned above, or any failure by the Bank to satisfy investor or other stakeholder expectations or standards in the execution of its ESG strategies, may affect the value and/or trading of the ESG Notes, and more widely affect the Bank's current and future business performance, results of operations and reputation. These may in turn negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

Potential investors should not place undue reliance on the financial information incorporated by reference that is not audited.

This Offering Circular incorporates the following information published by the Bank from time to time after the date of this Offering Circular, a copy of which can be found on the website of the HKSE:

(i) the most recently published unaudited but reviewed interim consolidated financial statements of the Bank as at, and for the six months ending on, 30 June of each financial year, together with any review reports prepared in connection therewith (the "**Interim Financial Information**"); and

(ii) the most recently published unaudited and unreviewed quarterly consolidated financial statements of the Bank as at, and for the three months ending on, 31 March and as at, and for the nine months ending on, 30 September of each financial year (the "**Quarterly Financial Information**"),

in each case prepared in accordance with the IFRSs.

The Interim Financial Information has been reviewed, but has not been and will not be audited, by the Bank's auditors. The Quarterly Financial Information has not been and will not be audited or reviewed by the Bank's auditors. The Interim Financial Information and the Quarterly Financial Information may not provide the same quality of information associated with information that has been subject to an audit. Potential investors should exercise caution when using such data to evaluate the Bank's financial condition and results of operations. The interim financial information should not be taken as an indication of the expected financial condition or results of operations of the Bank for the relevant full financial year.

The Notes are unsecured obligations of the Issuer.

The Notes are the unsecured obligations of the Issuer. As the Issuer may be a branch of the Bank, the repayment of the Notes may be adversely affected if:

- the Bank enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Bank's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Bank's indebtedness.

If any of these events were to occur, the Bank's assets may not be sufficient to pay amounts due under the Notes.

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The Conditions contain provisions which may permit their modification without the consent of all investors.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Agency Agreement may be modified without the consent of Noteholders.

The Conditions also provide that parties to the Agency Agreement may, without the consent of Noteholders, agree to any modification of the Agency Agreement which is not materially prejudicial to the interests of the Noteholders, is of a formal, minor or technical nature or is made to correct a manifest error as described in Condition 11(b).

A change in English law which governs the Notes may adversely affect Noteholders.

The Conditions are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

The interpretation of the NDRC Administrative Measures may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Notes. Any failure to complete the relevant examination and/registration under the NDRC Administrative Measures within the prescribed time frames may have adverse consequences for the relevant Issuer and/or the investors of the Notes.

Pursuant to the NDRC Administrative Measures, the Bank is required to (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the Certificate with respect to the relevant Notes (being those that have a tenor of more than a year) in accordance with the NDRC Administrative Measures, (ii) file or cause to be filed with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations. The NDRC Administrative Measures mentions some legal consequences of non-compliance with the pre-issue registration requirement. For example, if the enterprise borrows a foreign debt in violation of the NDRC Administrative Measures, the examination and registration authority shall take disciplinary actions such as holding an interview and giving a public warning against the relevant enterprise and its principal person-in-charge depending on the seriousness of the circumstances, and if intermediary agency knows or should have known that an enterprise is borrowing a foreign debt in violation of the provisions of the NDRC Administrative Measures but still provides the relevant intermediary services to the enterprise, the examination and registration authority shall circulate a notification of violation of regulations, and consult the relevant department on punishing the relevant intermediary agency and relevant liable persons in accordance with the applicable laws and regulations. In the worst case scenario, if pre-issue registration is required but not complied with, it might become unlawful for the relevant Issuer to perform or comply with any of its obligations under the relevant Notes and the relevant Notes might be subject to the enforcement as provided in Condition 10 (*Events of Default*). Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

Similarly, the NDRC Administrative Measures mentions some legal consequences of non-compliance with the post-issue notification requirement. Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing, etc.) under Articles 24 and 26 of the NDRC Administrative Measures may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises and relevant intermediary agencies shall be publicised on the "**Credit China**" website and the national enterprise credit information publicity system, among others.

The Bank undertakes to file or cause to be filed with the NDRC within the relevant prescribed timeframes after the relevant Issue Date the requisite information and documents in respect of the relevant Notes in accordance with the NDRC Administrative Measures and any implementation rules or policies as issued by the NDRC from time to time.

However, the NDRC Administrative Measures is new and its implementation may involve uncertainty. The administration and enforcement of the NDRC Administrative Measures may be subject to executive and policy discretion of the NDRC. While the NDRC Administrative Measures has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the NDRC Administrative Measures, the NDRC Administrative Measures is silent on whether any such non-compliance would affect the validity and enforceability of the Notes. There is no assurance that the failure to comply with the NDRC Administrative Measures would not result in adverse consequences on the relevant Issuer's or the Bank's ability to perform in accordance with the Conditions or the enforceability of the Notes.

Gains on the transfer of the Notes may become subject to income taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) which took effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and its implementation rules, any gains realised on the transfer of Notes by non-resident enterprise investors may be subject to enterprise income tax if such gains are regarded as income derived from sources within the PRC. While the PRC Enterprise Income Tax Law establishes such capital gain tax rate for non-resident enterprises with no establishment or place of business within the PRC, and such, although with establishment or place of business within the PRC, gaining the income derived from or accrued in the PRC of no de facto relationship with its establishment or place of business at 20% of the gross proceeds, its implementation rules have reduced the rate to 10%. In accordance with the PRC Individual Income Tax Law and its implementation regulations which took effect on 1 January 2019, any capital gain realised by an individual holder who has no domicile and does not stay within the PRC or who has no domicile but has stayed within the PRC for less than 183 days cumulatively within a tax year from transfer of the Notes may be regarded as being derived from sources within the PRC and thus be subject to PRC tax of up to 20%. Furthermore, any individual who has a domicile within the PRC or has no domicile but stayed in the PRC for 183 days or more cumulatively within a tax year may be regarded as being derived from sources within or outside the PRC will be subject to PRC income tax of up to 20%. There remains uncertainty as to whether the gains realised from the transfer of the Notes would be treated as income derived from sources within the PRC and thus be subject to the PRC Enterprise Income Tax and Individual Income Tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and Individual Income Tax Law and their relevant implementation rules. According to the arrangement between the PRC and Hong Kong SAR, residents of Hong Kong SAR, including enterprise investors and individual investors, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Notes if such capital gains are not connected with an office or establishment that the Noteholders have in the PRC and all the other relevant conditions are satisfied.

Therefore, if an investor, as a non-resident enterprise or non-resident individual, is required to pay PRC income tax on interest or gains on the transfer of the Notes, the value of relevant Noteholder's investment in the Notes may be materially and adversely affected.

The bankruptcy laws of the PRC may differ from those of other jurisdictions with which the Noteholders are familiar.

The Bank was incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Bank would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law matters.

The Notes and the Deed of Covenant are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters, Hong Kong courts may require certain additional procedures to be taken.

The Bank is a company incorporated under the laws of the PRC and a substantial majority of its businesses, assets and operations are located in the PRC. In addition, a substantial majority of the Bank's directors and executive officers reside in the PRC and substantially all of their assets are located in the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom, Japan and many other countries.

On 18 January 2019, the Supreme People's Court and the Department of Justice of the Hong Kong Special Administrative Region jointly promulgated the Arrangements on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which became effective on 29 January 2024. The 2019 Arrangement facilitates the mutual recognition and enforcement of court judgments between the mainland and Hong Kong and covers matters which are considered to be of a "**civil and commercial**" nature under both Hong Kong and mainland law. Non-judicial proceedings and judicial proceedings relating to administrative or regulatory matters are excluded. Subject to the provisions in the 2019 Arrangement, judgments in civil and commercial matters of the courts of the mainland and Hong Kong are expected to be mutually recognisable and enforceable.

While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. The holders of the Notes are deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the Noteholders' ability to initiate a claim outside of Hong Kong will be limited.

The Notes may be represented by Global Notes or Global Certificate and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s).

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive Definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes or Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems and the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream or to the relevant paying agent in the case of the CMU, as the case may be, for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates. Holders of beneficial interests in the Global Notes or Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note or Global Certificate and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (i) equal to, or integral multiples of, the minimum denomination, and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. Definitive Notes will only be issued in certain circumstances such as if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce(s) an intention to permanently cease business. The Pricing Supplement may provide that, if Definitive Notes are issued, such Notes will be

issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that Definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be or used as "**benchmarks**" (including the euro interbank offered rate ("**EURIBOR**")), are the subject of recent international, national and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmarks Regulation**") was published in the Official Journal of the EU on 29 June 2016 and applied from 1 January 2018. The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the European Union. It, amongst other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Issuers) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the United Kingdom Financial Conduct Authority ("**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to a rate or index deemed to be a "**benchmark**", in particular, if the methodology or other terms of the "**benchmark**" are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "**benchmark**".

More broadly, any of the international, national or other proposals for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark or (iii) lead to the disappearance of the "**benchmark**". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, or referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined (other than in respect of Notes for which the Reference Rate is SOFR Benchmark), the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available. The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs. Benchmark Events (as defined in Condition 5(j) (*Benchmark discontinuation*)) include (amongst other things) permanent discontinuation of an Original Reference Rate and the making of a

public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market. If a Benchmark Event occurs, the Issuer shall use all reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Reference Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Reference Rate to determine the Rate of Interest is likely to result in Notes initially linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Reference Rate for the Original Reference Rate is determined by the Independent Adviser, the Conditions provide that the Issuer may vary the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the Noteholders.

If a Successor Rate or Alternative Reference Rate is determined by the Independent Adviser, the Conditions also provide that an Adjustment Spread will be determined by the Independent Adviser and applied to such Successor Rate or Alternative Reference Rate. The Adjustment Spread is (i) the spread, formula or methodology which is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), (ii) if no such recommendation has been made, or in the case of an Alternative Reference Rate, the spread, formula or methodology which the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate, or (iii) if no such spread is customarily applied, the spread, formula or methodology which the Independent Adviser or the Issuer determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate, as the case may be. Accordingly, the application of an Adjustment Spread may result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

The Issuer may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Reference Rate in accordance with the Conditions, in which case the Issuer may determine the Successor Rate or the Alternative Reference Rate and the Adjustment Spread.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner or is unable to determine a Successor Rate or Alternative Reference Rate before the next Interest Determination Date, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Interest Determination Date, the Rate of Interest will be the initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or has failed to determine a Successor Rate or Alternative Reference Rate in respect of any given Interest Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Interest Determination Date and/or to determine a Successor Rate or Alternative Reference Rate to apply to the next succeeding and any subsequent Interest Periods, as necessary.

Applying the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event is likely to result in Notes linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Reference Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or fails to determine a Successor Rate or Alternative Reference Rate for the life of the relevant Notes, the initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the floating rate Notes, in effect, becoming fixed rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Conditions provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the relevant ISDA Definitions. If there is making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market, and a Successor Rate or Alternative Reference Rate is determined, ISDA Determination will not apply. Where the Floating Rate Option specified is an "**IBOR**" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the floating rate Notes.

Due to the uncertainty concerning the availability of a Successor Rate, Alternative Reference Rate and Alternative Relevant Screen Page, any determinations that may need to be made by the Independent Adviser or Issuer involves a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the floating rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the floating rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation, the UK Benchmarks Regulation or any other international or national reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

The use of Secured Overnight Financing Rate ("SOFR") as a reference rate is subject to important limitations.

The rate of interest on the floating rate Notes may be calculated on the basis of SOFR (as further described under Condition 5(b)(iii)(C) of the Conditions).

In June 2017, the New York Federal Reserve's Alternative Reference Rates Committee (the "**ARRC**") announced SOFR as its recommended alternative to U.S. dollar London interbank offered rate ("**LIBOR**"). However, the composition and characteristics of SOFR are not the same as those of LIBOR. SOFR is a broad U.S. Treasury repo-financing rate that represents overnight secured funding transactions. This means that SOFR is fundamentally different from LIBOR for two key reasons. First, SOFR is a secured rate, while LIBOR is an unsecured rate. Second, SOFR is an overnight rate, while LIBOR represents interbank funding over different maturities. As a result, there can be no assurance that SOFR will perform in the same way as LIBOR would have at any time, including, without limitation, as a result of changes in interest and yield rates in the market, market volatility or global or regional economic, financial, political, or regulatory events. For example, since publication of SOFR began in April 2018, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmark or other market rates.

As SOFR is an overnight funding rate, interest on SOFR-based Notes with interest periods longer than overnight will be calculated on the basis of either the arithmetic mean of SOFR over the relevant interest period or compounding SOFR during the relevant interest period. As a consequence of this calculation method, the amount of interest payable on each interest payment date will only be known a short period of time prior to the relevant interest payment date. Noteholders therefore will not know in advance the interest amount which will be payable on such Notes.

Although the Federal Reserve Bank of New York has published historical indicative SOFR information going back to 2014, such prepublication of historical data inherently involves assumptions, estimates and approximations. Noteholders should not rely on any historical changes or trends in SOFR as an indicator of future changes in SOFR.

The Federal Reserve Bank of New York notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, SOFR is published by the Federal Reserve Bank of New York based on data received from other sources, and the Issuer has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of the Noteholders. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction or elimination of the amount of interest payable on the Notes and a reduction in the trading prices of the Notes which would negatively impact the Noteholders who could lose part of their investment.

The Conditions provide for certain fallback arrangements in the event that a SOFR Benchmark Event occurs, which is based on the ARRC recommended language. There is however no guarantee that the fallback arrangements will operate as intended at the relevant time or operate on terms commercially acceptable to all Noteholders. Any of the fallbacks may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if SOFR had been provided by the Federal Reserve Bank of New York in its current form. Investors should consult their own independent advisers and make their own assessment about the potential risks in making any investment decision with respect to any Notes linked to SOFR.

The market continues to develop in relation to SOFR as a reference rate for Floating Rate Notes.

Investors should be aware that the market continues to develop in relation to SOFR as a reference rate in the capital markets and its adoption as an alternative to U.S. dollar LIBOR. Market participants and relevant working groups are exploring alternative reference rates based on SOFR (which seek to measure the market's forward expectation of a SOFR rate over a designated term). The market or a significant part thereof may adopt an application of SOFR that differs significantly from that set out in the Conditions. In addition, the manner of adoption or application of SOFR in the bond markets may differ materially compared with the application and adoption of SOFR in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of SOFR in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Notes referencing SOFR. In addition, the development of SOFR as an interest reference rate for the bond markets, as well as continued development of SOFR-based rates, indices and averages for such markets and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of Notes referencing SOFR. Similarly, if SOFR does not prove widely used in securities such as the Notes referencing SOFR, investors may not be able to sell such Notes referencing SOFR at all or the trading price of the Notes referencing SOFR may be lower than those of bonds linked to indices that are more widely used.

The use of SOFR as a reference rate for bonds is nascent, and may be subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing such rates. Notes referencing SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid which, in turn, may reduce the trading price of such Notes or mean that investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk. Investors should consider these matters when making their investment decision with respect to Notes referencing SOFR.

RISKS RELATING TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong, PRC or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At such times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index linked Notes and dual currency Notes have features that are different from Notes that are not index-linked or have a single currency.

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- they may receive no interest;
- payment of principal or interest may occur at a different time or in a different currency than expected;
- they may lose all or a substantial portion of their principal;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any index linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any index linked Notes and the suitability of such Notes in light of its particular circumstances.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile.

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse floating rate Notes are typically more volatile than conventional floating rate debt.

Inverse floating rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the EURIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse floating rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes.

Fixed or floating rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the fixed or floating rate Notes may be less favourable than the then prevailing spreads on comparable floating rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Investors may lose part or all of their investment in any Index-Linked Notes issued.

If, in the case of a particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked Notes or variable redemption amount Notes, there is a risk that the investor may lose the value of its entire investment or part of it.

Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

RISKS RELATING TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity.

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). There can be no assurance as to the liquidity of the Notes or that an active trading market will develop. The liquidity of the Notes could be affected by various factors, and in particular, if a limited number of investors subscribes for a significant portion of the Notes. Such investors may include the Issuer and entities affiliated with the Issuer. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application may be made for the Notes issued under the Programme to be admitted to listing on the HKSE or such other stock exchange(s), there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes that may be issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of fixed rate Notes.

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Bank's ability to source Renminbi outside the PRC to service the Renminbi Notes.

As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements on the clearing of Renminbi business (the "**Settlement Arrangements**") with financial institutions (each, a "**Renminbi Clearing Bank**") in a number of financial centres and cities, including but not limited to Hong Kong, London, Frankfurt and Singapore, has established the Cross-Border Inter-Bank Payments System to facilitate cross-border Renminbi settlement and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi-denominated financial assets outside the PRC remains limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, where the participating banks cannot source sufficient Renminbi through the above channels, the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving the import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. However, remittance of Renminbi into and out of the PRC for settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from or completing specific registrations or filing with the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government.

Although the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016, and the PBOC and the Ministry of Commerce of the PRC have implemented policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that any regulatory restrictions inhibit the ability of the Issuer to repatriate funds outside the PRC to meet its obligations under the Renminbi Notes, the Issuer will need to source Renminbi offshore to finance such obligations under the relevant Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

In addition, holders of beneficial interests in Renminbi Notes may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the Renminbi Notes.

All payments to investors in respect of Renminbi Notes will be made solely (i) for so long as such Notes are represented by Global Notes or Global Certificates, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and procedures of the relevant clearing system, or (ii) for so long as such Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with the prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft, or by transfer to a bank account in the PRC).

Investment in the Renminbi Notes is subject to exchange rate risks.

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as other factors. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. The Issuer will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. Accordingly, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

There may be PRC tax consequences with respect to investment in the Renminbi Notes.

In considering whether to invest in the Renminbi Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situation as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the holder's investment in the Renminbi Notes may be materially and adversely affected if the holder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Renminbi Notes.

Investment in the Renminbi Notes is subject to interest rate risks.

The value of Renminbi payments under Renminbi Notes may be susceptible to interest rate fluctuations occurring within and outside the PRC, including PRC Renminbi repo rates and/or the Shanghai inter-bank offered rate. The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Notes will vary with the fluctuations in the Renminbi interest rates. If holders of Renminbi Notes propose to sell their Notes before their maturity, they may receive an offer lower than the amount they have invested.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, save for the words in italics and subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are part of a Series (as defined below) of Notes issued by China Merchants Bank Co., Ltd. (the "**Bank**") or the relevant branch as specified hereon (the "**Issuer**") and are issued pursuant to the fifth amended and restated agency agreement dated 5 June 2023 (as amended, restated or supplemented as at the Issue Date, the "**Agency Agreement**") between the Bank, The Hongkong and Shanghai Banking Corporation Limited as fiscal agent and the other agents named in it and with the benefit of an amended and restated deed of covenant dated 5 June 2023 (as amended, restated or supplemented as at the Issue Date, the "**Deed of Covenant**") executed by the Bank in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the other paying agents, the registrars, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agent**" (which expression shall include the Fiscal Agent and the CMU Lodging and Paying Agent), the "**Registrars**", the "**Transfer Agents**" and the "**Calculation Agent(s)**", and collectively, the "**Agents**". For the purposes of these terms and conditions (these "**Conditions**"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection upon prior written request and proof of holdings and identity or electronically via e-mail written request to hkcorporate.trust.queries@hsbc.com.hk during normal business hours (being 9:00 a.m. to 3:00 p.m. local time on weekdays (excluding public holidays)) at the specified offices of each of the Paying Agents, the Registrars and the Transfer Agents.

1. FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon. Notes sold in reliance on Rule 144A under the U.S. Securities Act of 1933 (the "**Securities Act**") will be in minimum denominations of U.S.$250,000 (or its equivalent in other currencies) and integral multiples of U.S.$1,000 (or its equivalent in other currencies) in excess thereof, subject to compliance with all legal and/or regulatory requirements applicable to the relevant currency.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note (together with an Index Linked Interest Note, an "**Index Linked Note**"), an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes will be represented by either:

(i) individual Certificates in registered form ("**Individual Certificates**"); or

(ii) one or more unrestricted global certificates ("**Unrestricted Global Certificate(s)**") in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Unrestricted Notes**") and/or one or more restricted global certificates ("**Restricted Global Certificates**", together with Individual Certificates and Unrestricted Global Certificates, "**Certificates**") in the case of Registered Notes sold to "**qualified institutional buyers**" as defined in and in reliance on Rule 144A under the Securities Act ("**Restricted Notes**").

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the relevant register that the Issuer shall procure to be kept by the relevant Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the relevant Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

Subject to Conditions 2(f) and 2(g), one or more Registered Notes may be transferred upon the surrender (at the specified office of the relevant Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the relevant Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a

holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the relevant Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the relevant Registrar and the Noteholders. A copy of the current regulations will be made available by the relevant Registrar to any Noteholder upon request.

Transfers of interests in the Notes evidenced by Global Certificates will be effected in accordance with the rules of the relevant clearing systems.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the relevant Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**

Each new Certificate to be issued pursuant to Condition 2(b) or Condition 2(c) shall be available for delivery within five business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the relevant Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the relevant Registrar (as the case may be).

(e) **Transfer Free of Charge**

Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrars or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the relevant Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of 15 days ending on (and including) any Record Date.

(g) **Regulations Concerning Transfers and Registration**

All transfers of Registered Notes and entries on the relevant Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrars. A copy of the current regulations will be mailed (free of charge) by the Registrars to any Noteholder who requests in writing a copy of such regulations.

3. **STATUS**

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Bank and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. **NEGATIVE PLEDGE**

(a) So long as any Note remains outstanding (as defined in the Agency Agreement), the Bank will not, and will ensure that none of its Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

(b) **NDRC Filings**: Where the NDRC Administrative Measures applies to the Tranche of Notes to be issued, so long as any such Note remains outstanding, the Issuer undertakes to file or cause to be filed with the NDRC the requisite information and documents in connection with such Tranche of Notes within the relevant prescribed timeframes in accordance with the NDRC Administrative Measures (each a "**NDRC Filing**", and together the "**NDRC Filings**").

The Agents shall have no obligation to monitor and/or ensure or assist with the completion of the NDRC Filings on or before the relevant deadline referred above or to verify the accuracy, validity and/or genuineness of, or to translate or arrange for translation into English of, any documents in relation to or in connection with the NDRC Filings, or to notify the Noteholders of the completion of the NDRC Filings, and shall not be liable to the Noteholders or any other person for not doing so.

In this Condition 4:

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts;

"**NDRC Administrative Measures**" means the Administrative Measures for the Examination and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第 56 號)) issued by the NDRC and which came into effect on 10 February 2023 (as supplemented, amended or replaced from time to time) and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market outside mainland China (for the avoidance of doubt, "**mainland China**" shall not include the Hong Kong and Macau Special Administration Regions or Taiwan); and

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Bank.

5. INTEREST AND OTHER CALCULATIONS

(a) Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*

The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate (as defined in the relevant ISDA Definitions) that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) if it is specified hereon either "**2006 ISDA Definitions**" or "**2021 ISDA Definitions**" as the applicable ISDA Definitions:

(1) the Floating Rate Option (as defined in the relevant ISDA Definitions) is as specified hereon;

(2) the Designated Maturity (as defined in the relevant ISDA Definitions), if applicable, is a period specified hereon;

(3) the relevant Reset Date (as defined in the relevant ISDA Definitions) has the meaning given to it in the ISDA Definitions unless otherwise specified hereon;

(4) if the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the relevant ISDA Definitions), Compounding is specified to be applicable hereon and:

a. if Compounding with Lookback is specified as the Compounding Method hereon then (a) Compounding with Lookback is the Overnight Rate Compounding Method (as defined in the relevant ISDA Definitions) and (b) Lookback is the number of Applicable Business Days (as defined in the relevant ISDA Definitions) specified hereon;

b. if Compounding with Observation Period Shift is specified as the Compounding Method hereon then (a) Compounding with Observation Period Shift is the Overnight Rate Compounding Method, (b) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified hereon and (c) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions), if applicable, are the days specified hereon; or

c. if Compounding with Lockout is specified as the Compounding Method hereon then (a) Compounding with Lockout is the Overnight Rate Compounding Method, (b) Lockout is the number of Lockout Period Business Days (as defined in the relevant ISDA Definitions) specified hereon and (c) Lockout Period Business Days, if applicable, are the days specified hereon; and

(5) if the specified Floating Rate Option is an Index Floating Rate Option (as defined in the relevant ISDA Definitions) and Index Provisions are specified to be applicable hereon, the Compounded Index Method with Observation Period Shift (as defined in the relevant ISDA Definitions) shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified hereon and (b) Observation Period Shift Additional Business Days (as defined in the relevant ISDA Definitions), if applicable, are the days specified hereon;

(y) references in the relevant ISDA Definitions to:

(1) "**Confirmation**" shall be deemed to be references to the relevant Pricing Supplement;

(2) "**Calculation Period**" shall be deemed to be references to the relevant Interest Accrual Period;

(3) "**Termination Date**" shall be deemed to be references to the Maturity Date; and

(4) "**Effective Date**" shall be deemed to be references to the Interest Commencement Date; and

(z) if "**2021 ISDA Definitions**" is specified as applicable hereon:

(1) "**Administrator/Benchmark Event**" shall be disapplied; and

(2) if the Temporary Non-Publication Fallback in respect of any specified Floating Rate Option is specified to be "**Temporary Non-Publication Fallback – Alternative Rate**" in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to "**Calculation Agent Alternative Rate Determination**" in the definition of "**Temporary Non-Publication Fallback – Alternative Rate**" shall be replaced by "**Temporary Non-Publication Fallback – Previous Day's Rate**".

(B) *Screen Rate Determination for Floating Rate Notes not referencing SOFR Benchmark*

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined (other than in respect of Notes for which the Reference Rate is SOFR Benchmark), the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or in the case of CNH HIBOR, 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as at 2.30 p.m. (Hong Kong time) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is

more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations. If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period), **provided that** if the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(C) *Screen Rate Determination for Floating Rate Notes referencing SOFR Benchmark*

Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined where the Reference Rate is SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SOFR Benchmark as determined by the Calculation Agent on the relevant Interest Determination Date.

The "**SOFR Benchmark**" will be determined based on Simple SOFR Average, Compounded SOFR Average or SOFR Compounded Index (as specified hereon), as follows (subject in each case to Condition 5(k)):

(x) If Simple SOFR Average ("**Simple SOFR Average**") is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be the arithmetic mean of the SOFR reference rates for each U.S. Government Securities Business Day during such Interest Accrual Period, as calculated by the Calculation Agent, and where, if applicable and as specified hereon, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the U.S. Government Securities Business Days in the relevant Interest Accrual Period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the last day of that Interest Accrual Period.

(y) If Compounded SOFR Average ("**Compounded SOFR Average**") is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant Interest Accrual Period (where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified hereon to determine Compounded SOFR Average) or SOFR Observation Period (where SOFR Observation Shift is specified hereon to determine Compounded SOFR Average).

Compounded SOFR Average shall be calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable hereon:

(i) SOFR Observation Lag:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i-\times USBD}\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"**$SOFR_{i\text{-}xUSBD}$**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day(i);

"**Lookback Days**" means such number of U.S. Government Securities Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(ii) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i\times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"**$SOFR_i$**" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**SOFR Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Interest Accrual Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Interest Period Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"$\mathbf{d_o}$" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers ascending from one to do, representing each U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period (each a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

(iii) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i);

"**Interest Payment Date**" shall be the number of Interest Payment Delay Days following each Interest Period Date; **provided that** the Interest Payment Date with respect to the final Interest Accrual Period will be the Maturity Date or the relevant date for redemption, as applicable;

"**Interest Payment Delay Days**" means the number of Business Days as specified hereon;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"$\mathbf{n_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded SOFR Average with respect to the final Interest Accrual Period where SOFR Payment Delay is specified hereon, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date or the relevant date for redemption, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(iv) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"$\mathbf{SOFR_i}$" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day(i), except that the SOFR reference rate for any U.S. Government Securities Business Day(i) in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Interest Period Date for such Interest Accrual Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"$\mathbf{d_o}$" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period (each a "**U.S. Government Securities Business Day(i)**"); and

"**n_i**" for any U.S. Government Securities Business Day(i) in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day.

The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C)(x) and 5(b)(iii)(C)(y):

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "**SOFRRATE**" or any successor page or service.

"**Reuters Page USDSOFR=**" means the Reuters page designated "**USDSOFR=**" or any successor page or service.

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:'

(i) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 5(k) shall apply.

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following the relevant U.S. Government Securities Business Day.

(z) If SOFR Compounded Index ("**SOFR Compounded Index**") is specified as applicable hereon, the SOFR Benchmark for each Interest Accrual Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point with 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)) and where:

"**SOFR Index**", with respect to any U.S. Government Securities Business Day, means:

(a) the SOFR Index value as published on the SOFR Administrator's Website on or about 3:00 p.m. (New York time) on such U.S. Government Securities Business Day (the "**SOFR Index Determination Time**"); **provided that** in the event that the value originally published by the SOFR Administrator on or about 3:00 p.m. (New York time) on any U.S. Government Securities Business Day is subsequently corrected and such corrected value is published by the SOFR Administrator on the original date of publication, then such corrected value, instead of the value that was originally published, shall be deemed the SOFR Index value as of the SOFR Index Determination Time in relation to such U.S. Government Securities Business Day; and

(b) if a SOFR Index value does not so appear as specified in (a) above of this definition, then:

(i) if a Benchmark Event (as defined in Condition 5(k)) and its related Benchmark Replacement Date (as defined in Condition 5(k)) has not occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to the "**SOFR Index Unavailable**" provisions in Condition 5(b)(iii)(D); or

(ii) if a Benchmark Event and its related Benchmark Replacement Date has occurred with respect to SOFR, then SOFR Compounded Index shall be the rate determined pursuant to Condition 5(k).

"**SOFR Index$_{Start}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date which is the number of U.S. Government Securities Business Days specified hereon preceding the first date of such Interest Accrual Period;

"**SOFR Index$_{End}$**" means, in respect of an Interest Accrual Period, the SOFR Index value on the date which is the number of U.S. Government Securities Business Days specified hereon preceding the Interest Period Date relating to such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date);

"**d_c**" means the number of calendar days in the relevant SOFR Observation Period;

"**SOFR Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon; and

"**SOFR Observation Period**" means, in respect of an Interest Accrual Period, the period from (and including) the date which is the number of SOFR Observation Shift Days preceding the first date of such Interest Accrual Period (and in respect of the first Interest Accrual Period, the number of SOFR Observation Shift Days preceding the Issue Date) to, but excluding, the date

which is the number of SOFR Observation Shift Days preceding the Interest Period Date for such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date).

The following defined terms shall have the meanings set out below for purpose of this Condition 5(b)(iii)(C):

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate.

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source.

"**SOFR Benchmark Replacement Date**" means the Benchmark Replacement Date with respect to the then current SOFR Benchmark.

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then current SOFR Benchmark.

"**SOFR Rate Cut-Off Date**" has the meaning specified hereon.

"**U.S. Government Securities Business Day**" or "**USBD**" means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(D) *SOFR Index Unavailable*

If a SOFR Index value is not published on the relevant Interest Determination Date and a Benchmark Event (as defined in Condition 5(k)) and its related Benchmark Replacement Date (as defined in Condition 5(k)) has not occurred with respect to SOFR, then the SOFR Index shall be calculated in accordance with the Compounded SOFR formula and the related definitions as set out below in this Condition 5(b)(iii)(D):

"**Compounded SOFR**" means, for the applicable Interest Accrual Period for which the SOFR Index is not available, the rate of return on a daily compounded interest investment during the relevant Observation Period (with the daily SOFR reference rate as the reference rate for the calculation of interest) and calculated by the Calculation Agent in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005% being rounded upwards (e.g., 9.876541% (or 0.09876541) being rounded down to 9.87654% (or 0.0987654) and 9.876545% (or 0.09876545) being rounded up to 9.87655% (or 0.0987655)):

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d_c}$$

where:

"**d_c**" means the number of calendar days in the relevant Observation Period;

"**d_o**" means the number of U.S. Government Securities Business Days in the relevant Observation Period;

"**i**" means a series of whole numbers from one to d_o, each representing the relevant

U.S. Government Securities Business Days in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Observation Period (each a "**U.S. Government Securities Business Day(i)**");

"**n_i**" for any U.S. Government Securities Business Day(i) in the relevant Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day(i) up to (but excluding) the following U.S. Government Securities Business Day(i);

"**$SOFR_i$**," for any U.S. Government Securities Business Day(i) in the relevant Observation Period, is equal to the SOFR reference rate in respect of that U.S. Government Securities Business Day(i);

"**Bloomberg Screen SOFRRATE Page**" means the Bloomberg screen designated "**SOFRRATE**" or any successor page or service;

"**Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling a number of U.S. Government Securities Business Days equal to the Observation Shift Days preceding the first date in such Interest Accrual Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of Observation Shift Days preceding the Interest Period Date for such Interest Accrual Period;

"**Observation Shift Days**" means the number of U.S. Government Securities Business Days as specified hereon;

"**Reuters Page USDSOFR=**" means the Reuters page designated "**USDSOFR=**" or any successor page or service;

"**SOFR**" means, with respect to any U.S. Government Securities Business Day:

(a) the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time, as such rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate that appears at the SOFR Determination Time on the SOFR Administrator's Website; or

(b) if the rate specified in (a) above does not appear, the SOFR published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website;

"**SOFR Administrator**" means the Federal Reserve Bank of New York or any successor administrator of the SOFR Index value and Secured Overnight Financing Rate;

"**SOFR Administrator's Website**" means the website of the SOFR Administrator (currently being, https://apps.newyorkfed.org/markets/autorates/sofr-avg-ind), or any successor source;

"**SOFR Determination Time**" means on or about 3:00 p.m. (New York City time) on the SOFR Administrator's Website on the immediately following U.S.

Government Securities Business Day; and

"**U.S. Government Securities Business Day**" means any day other than a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

(iv) ***Rate of Interest for Index Linked Interest Notes***

The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) **Zero Coupon Notes**

Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes**

In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined by the Calculation Agent in the manner specified hereon.

(e) **Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest**

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest, Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (**provided that** if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) **Calculations**

The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**

The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this

Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) **Benchmark Discontinuation for Floating Rate Notes not referencing SOFR Benchmark**

Where the Original Reference Rate is not SOFR Benchmark, in addition to and notwithstanding the provisions above in Condition 5(b)(iii), if the Issuer determines that a Benchmark Event has occurred in relation to an Original Reference Rate when any Rate of Interest (or the relevant component part thereof) remains to be determined by reference to such Original Reference Rate, then the following provisions shall apply:

(i) the Issuer shall use all reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine (acting in a reasonable manner), no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Accrual Period (the "**IA Determination Cut-off Date**"), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate, an Adjustment Spread and any Benchmark Amendments for purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(ii) if the Issuer (acting in a reasonable manner) is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate or an Alternative Reference Rate prior to the IA Determination Cut-off Date, the Issuer (acting in a reasonable manner) may determine (i) a Successor Rate or, if there is no Successor Rate, an Alternative Reference Rate and (ii) in either case an Adjustment Spread and/or any Benchmark Amendments in accordance with this Condition 5(j);

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and in either case, an Adjustment Spread, is determined in accordance with the preceding provisions, such Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and in either case, an Adjustment Spread, shall be the Reference Rate for each of the future Interest Accrual Periods (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(j)); **provided, however, that** if Condition 5(j)(ii) applies and the Issuer (acting in a reasonable manner) is unable to or does not determine a Successor Rate or an Alternative Reference Rate and, in either case, an Adjustment Spread, prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the preceding Interest Accrual Period (or alternatively, if there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest) (subject, where applicable, to substituting the Margin that applied to such preceding Interest Accrual Period for the Margin that is to be applied to the relevant Interest Accrual Period); for the avoidance of doubt, the proviso in this Condition 5(j)(iii) shall apply to the relevant Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5(j);

(iv) if the Independent Adviser or the Issuer (acting in a reasonable manner) determines a Successor Rate or, failing which, an Alternative Reference Rate (as applicable), and in either case, an Adjustment Spread, in accordance with the above provisions, the Independent Adviser or the Issuer (acting in good faith and in a commercially reasonable manner) (as applicable), may also specify changes to these Conditions, including but not limited to the Day Count Fraction, Relevant Screen Page, Business Day Convention, business days, Interest Determination Date and/or the definition of Reference Rate applicable to the Notes, and the method for determining the fallback rate in relation to the

Notes (such amendments, the "**Benchmark Amendments**"), if such changes are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (as applicable). The Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) shall determine an Adjustment Spread to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) and agreed as operationally practicable by the Calculation Agent. For the avoidance of doubt, the Fiscal Agent shall, subject to receipt by the Fiscal Agent of a certificate signed by a duly authorised signatory of the Issuer, at the direction and expense of the Issuer and without consent or approval of the Noteholders, effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 5(j). Noteholder or Couponholder consent shall not be required in connection with effecting the Successor Rate or Alternative Reference Rate (as applicable), the Adjustment Spread or the Benchmark Amendments or such other changes, including for the execution of any documents or other steps by the Fiscal Agent (if required). The Fiscal Agent shall not be bound by or be obliged to give effect to any Benchmark Amendments, Successor Rate, Alternative Reference Rate, Adjustment Spread or such other changes, if in the reasonable opinion of the Fiscal Agent, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend in an adverse manner the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement. In connection with any such variation in accordance with this Condition 5(j)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading; and

(v) the Issuer shall within five Business Days, following the determination of any Successor Rate or Alternative Reference Rate (as applicable), Adjustment Spread or Benchmark Amendments, give notice thereof to the Fiscal Agent, the Calculation Agent and the Noteholders, which shall specify the effective date(s) for such Successor Rate or Alternative Reference Rate (as applicable), Adjustment Spread or Benchmark Amendments,

provided that the determination of any Successor Rate or Alternative Reference Rate, Adjustment Spread or Benchmark Amendments shall be made in accordance with applicable law. Neither the Agents nor the Calculation Agent shall be responsible or liable for any determinations, decisions or elections made by the Issuer or the Independent Adviser with respect to any Benchmark Amendments or any other changes and shall be entitled to rely conclusively on any certifications provided to it in this regard.

(k) **Benchmark discontinuation for Floating Rate Notes referencing SOFR Benchmark**

The following provisions shall apply if Benchmark Event (SOFR) is specified as applicable hereon:

(i) ***Benchmark Replacement***

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then current Benchmark, the Benchmark Replacement will replace the then current Benchmark for all purposes relating to the Notes in respect of all determinations on such date and for all determinations on all subsequent dates.

(ii) ***Benchmark Replacement Conforming Changes***

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, any of the Agents shall, at the direction and expense of the Issuer, effect such consequential amendments to the Agency Agreement and these Conditions as may be required to give effect to this Condition 5(k). Noteholders' or Couponholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Agents (if required). Further, none of the Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard. The Fiscal Agent shall not be bound by or be obliged to give effect to any Benchmark Replacement Conforming Changes, or such other amendments, if in the opinion of the Fiscal Agent, the same would not be operable or would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the rights and/or the protective provisions afforded to it in these Conditions and/or the Agency Agreement and/or any documents to which it is a party in any way.

(iii) ***Decisions and Determinations***

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 5(k), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Issuer or its designee, as applicable, and (iii) notwithstanding anything to the contrary in the documentation relating to the Notes, shall become effective without consent from the holders of the Notes or any other party. Neither the Agents nor the Calculation Agent shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee pursuant to this Condition 5(k) or any other changes and shall be entitled to rely conclusively on any certifications provided to it in this regard. The Issuer shall within 5 Business Days, following the determination made pursuant to this Condition 5(k), give notice thereof to the Fiscal Agent, the Calculation Agent and the Noteholders, which shall specify the effective date(s) for such determination.

(iv) ***The following defined terms shall have the meanings set out below for purpose of Conditions 5(b)(iii)(C) and 5(k):***

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified hereon; **provided that** if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement.

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then current Benchmark (including any daily published component used in the calculation thereof):

(a) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, **provided that**, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(c) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

The occurrence of a Benchmark Event shall be determined by the Issuer or its designees and promptly notified to the Agents and the Calculation Agent. For the avoidance of doubt, neither the Agents nor the Calculation Agent shall have any responsibility for making such determination.

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(a) the sum of:

(A) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then current Benchmark (including any daily published component used in the calculation thereof); and

(B) the Benchmark Replacement Adjustment; or

(b) the sum of:

(A) the ISDA Fallback Rate; and

(B) the Benchmark Replacement Adjustment; or

(c) the sum of:

(A) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Notes at such time; and

(B) the Benchmark Replacement Adjustment.

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement; or

(b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(c) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Notes at such time.

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors, and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary).

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then current Benchmark (including any daily published component used in the calculation thereof):

(a) in the case of sub-paragraph (a) or (b) of the definition of "**Benchmark Event**", the later of:

  (A) the date of the public statement or publication of information referenced therein; and

  (B) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(b) in the case of sub-paragraph (c) of the definition of "**Benchmark Event**", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"**designee**" means a designee as selected and separately appointed by the Issuer in writing.

"**ISDA Definitions**" means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time, including the 2021 ISDA Interest Rate Derivatives Definitions (as amended or supplemented from time to time).

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark.

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

"**Reference Time**" with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified hereon) or SOFR Index Determination Time (where SOFR Compounded Index is specified hereon); or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes.

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"**Unadjusted Benchmark Replacement**" means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

(l) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Adjustment Spread**" means a spread (which may be positive, negative or zero) or formula or methodology for calculating a spread, which the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable), determines is required to be applied to the Successor Rate or the Alternative Reference Rate (as applicable) which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions to produce an industry accepted replacement rate for the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as applicable); or

(iii) if no such customary market usage is recognised or acknowledged, the Independent Adviser (in consultation with the Issuer) or the Issuer (acting in a reasonable manner) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be).

"**Alternative Reference Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest in respect of bonds denominated in the Specified Currency and of a comparable duration to the relevant Interest Accrual Period.

"**Benchmark Event**", for the purposes of Condition 5(j), means:

(i) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences; or

(v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(vi) it has become unlawful for any Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that in the case of (ii) and (iii) above, the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, in the case of (iv) above, the Benchmark Event shall occur on the date of the prohibition of use of the Original Reference Rate, and in the case of paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Fiscal Agent and the Calculation Agent. For the avoidance of doubt, the Agents shall not have any responsibility for making such determination.

"**Business Day**" means:

(i) in the case of Notes denominated in a currency other than euro and Renminbi, a day (other than a Saturday, Sunday or a public holiday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated in euro, a day on which the T2 is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes denominated in a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)** "is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/365 (Sterling)** "is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30;

(vii) if "**30E/360 (ISDA)** "is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless

(i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30;

(viii) if "**Actual/Actual-ICMA**" is specified hereon,

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Independent Adviser**" means an independent financial institution of international repute or other independent financial adviser of recognised standing and with appropriate expertise, in each case appointed by the Issuer at its own expense under Condition 5(j)(i).

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless specified hereon.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means (i) if "**2006 ISDA Definitions**" is specified hereon, the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. ("**ISDA**"), as amended and updated as at the Issue Date of the first Tranche of the Notes; or (ii) if "**2021 ISDA Definitions**" is specified hereon, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Notes.

"**Original Reference Rate**" means the originally-specified Reference Rate used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Nominating Body**" means, in respect of a reference rate:

(i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service).

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**Successor Rate**" means the rate that the Independent Adviser or the Issuer (as applicable) determines is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

(m) **Calculation Agent**

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so, and the Issuer shall (with written notice to the Fiscal Agent) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. **REDEMPTION, PURCHASE AND OPTIONS**

(a) **Redemption by Instalments and Final Redemption**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption**

(i) ***Zero Coupon Notes***

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) ***Other Notes***

The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons**

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note) or, at any time, (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) and the Fiscal Agent, at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdictions (as defined in Condition 8), or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer**

If Call Option is specified hereon, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Noteholders (which notice shall be irrevocable) and the Fiscal Agent (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(d).

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

The Agents shall not be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption, nor the contents of any compliance report and shall not be liable to the Noteholders or any other person for not doing so.

(e) **Redemption at the Option of Noteholders**

If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer and the Fiscal Agent (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the relevant Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the relevant Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.

(g) **Purchases**

The Issuer and its Subsidiaries (as defined in Condition 4) may at any time purchase Notes (**provided that** all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(h) **Cancellation**

All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the relevant Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. **PAYMENTS AND TALONS**

(a) **Bearer Notes**

Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and **provided that** the Receipt is presented for payment together with its relevant Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi, by transfer to an account denominated in such currency with a Bank; and

(ii) in the case of Notes denominated in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7(a) and Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to T2.

Payments of principal and interest in respect of Bearer Notes held in the CMU will be made to the CMU for their distribution, on the order of the holder of the Bearer Notes, to the person(s) for whose account(s) interests in the relevant Bearer Note are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

(b) **Registered Notes**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the relevant Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the relevant Register at the close of business on the fifth (in the case of Notes denominated in Renminbi) and fifteenth (in the case of Notes denominated in a currency other than Renminbi) day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made by transfer to the registered account of the Noteholder.

(iii) In Condition 7(b)(ii), "**registered account**" means (i) in the case of Notes denominated in a currency other than Renminbi, an account in the relevant currency maintained by or on behalf of the Noteholder with a Bank, and (ii) in the case of Notes denominated in Renminbi, the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, in each case, details of which appear on the relevant Register at the close of business on the Record Date.

Payments of principal and interest in respect of Registered Notes held in the CMU will be made to the CMU for their distribution, on the order of the holder of the Registered Notes, to the person(s) for whose account(s) interests in the relevant Registered Notes are credited as being held with the CMU in accordance with the CMU Rules (as defined in the Agency Agreement) at the relevant time and payment made in accordance thereof shall discharge the obligations of the Issuer in respect of that payment.

*So long as the Global Certificate is held on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A. or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(c) **Payments in the United States**

Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws**

All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

(e) **Appointment of Agents**

The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrars, the Transfer Agents and the Calculation Agent initially appointed by the Bank and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrars, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrars, any Transfer Agent or any Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, **provided that** the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) the relevant Registrar in relation to Registered Notes, (iii) a

Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where these Conditions so require, (vi) Paying Agents having specified offices in at least two major European cities and (vii) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

The Agents may rely, without liability to Noteholders, on a report, confirmation, opinion or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Agents may accept and shall be entitled to rely (without further investigation or enquiry) on any such report, confirmation, opinion or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Agents and the Noteholders.

Each Noteholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Agents shall not at any time have any responsibility for the same and each Noteholder shall not rely on the Agents in respect thereof.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent on any business day in the location of the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days**

If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. **TAXATION**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within any of the Relevant Jurisdictions, unless such withholding or deduction is required by law of any of the Relevant Jurisdictions. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) held by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed levied, collected, withheld or assessed other than the mere holding of the Note, Receipt or Coupon; or

(b) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

As used in these Conditions:

(a) "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relevant Certificate), Receipt or Coupon being made in accordance with these Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation; and

(b) "**Relevant Jurisdiction**" means Hong Kong, the PRC (as defined in Condition 10), and if the Issuer is a Relevant Branch, the country where that branch is located, or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8.

The Agents shall not be responsible or liable for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for (A) determining whether the Issuer or any Noteholder or Couponholder is liable to pay any taxes, duty, charges, withholding or other payment referred to in this Condition 8; or (B) determining the sufficiency or insufficiency of any amounts so paid. None of the Agents shall be responsible or liable any failure by the Issuer, any Noteholder or any other third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Notes without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9. PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately due and payable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable unless such Event of Default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:

(a) **Non-Payment**: the Issuer fails to pay the principal of or any premium (if any) or interest on any of the Notes when due and such failure continues for a period of 7 days; or

(b) **Breach of Other Obligations**: the Bank or the relevant Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Deed of Covenant which default is incapable of remedy or, if capable of remedy, continues for a period of 45 days after written notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Acceleration**: (i) any other present or future indebtedness for monies borrowed or raised by the Bank, any Relevant Branch or any of the Bank's Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Bank, any Relevant Branch or any of the Bank's Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised **provided that** the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$25,000,000 or its equivalent; or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Bank, any Relevant Branch or any of the Bank's Subsidiaries and is not discharged or stayed within 45 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Bank, any Relevant Branch or any of the Bank's Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager, administrator or other similar person); or

(f) **Insolvency**: the Bank or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Bank or any of its Material Subsidiaries; or

(g) **Winding-up**: an order is made or an effective resolution passed for the winding-up or dissolution of the Bank or any of its Material Subsidiaries, or the Bank or any of its Material Subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Bank or another of its Material Subsidiaries; or

(h) **Illegality**: it is or will become unlawful for the Bank or the relevant Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Deed of Covenant; or

(i) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.

The Fiscal Agent shall not be obliged to take any steps to ascertain whether a potential Event of Default or Event of Default has occurred or to monitor the occurrence of any potential Event of Default or Event of Default, and shall not be liable to the Noteholders or any other person for not doing so.

In these Conditions:

"**Material Subsidiary**" means a Subsidiary of the Bank:

(a) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose gross profit (consolidated in the case of Subsidiary which itself has consolidated Subsidiaries) represents not less than 5 per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated gross profit of the Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the Bank, **provided that**:

(i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the Bank relate for the purpose of applying each of the foregoing tests, the reference to the Bank's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Bank;

(ii) if at any relevant time in relation to the Bank or any Subsidiary no financial statements are prepared and audited, its gross revenue, gross assets and gross profit (consolidated, if applicable) shall be determined on the basis of *pro forma* consolidated financial statements (consolidated, if applicable) prepared for this purpose; and

(iii) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Bank, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a *pro forma* consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Bank; or

(b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, **provided that** on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above;

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality; and

"**Subsidiary**" shall have the meaning set out in Condition 4 above.

11. MEETING OF NOTEHOLDERS AND MODIFICATIONS

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders (including by way of conference call or by use of a videoconference platform) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, or (vi) to vary the currency or currencies of payment or denomination of the Notes, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. of the nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution (x) in writing signed by or on behalf of the Noteholders of not less than 90 per cent. in nominal amount of the Notes outstanding, or (y) passed by Electronic Consent (as defined in the Agency Agreement) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) Modification of Agency Agreement

The parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

12. REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the relevant Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

14. NOTICES

Notices required to be given to the Noteholders pursuant to these Conditions shall be (i) (in the case of holders of Registered Notes) mailed to them at their respective addresses in the relevant Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing, or (ii) published in a daily newspaper of general circulation in Hong Kong (which is expected to be the South China Morning Post in Hong Kong). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

So long as the Global Note or, as the case may be, the Global Certificate is held in its entirely on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A. any notice to the Noteholders shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and Clearstream Banking S.A. for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

So long as the Global Note or, as the case may be, the Global Certificate is deposited with a sub-custodian for the CMU, notices to Noteholders represented by the Global Note or, as the case may be, the Global Certificate may be given by delivery of the relevant notice to the CMU for communication by the CMU to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

15. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

16. GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons or any non-contractual obligations arising out of or in connection with them ("**Proceedings**") may be brought in such courts. The Bank and the relevant Issuer irrevocably submit to the exclusive jurisdiction of the courts of Hong Kong and waive any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) Service of Process

Each of the Bank and the relevant Issuer irrevocably agrees to receive service of process at the place of business of the Bank established in Hong Kong in accordance with the Companies Ordinance (Cap. 622) of Hong Kong at 31/F, Three Exchange Square, 8 Connaught Place, Hong Kong in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Bank or the relevant Issuer). If due to any reason the Bank shall cease to have a place of business in Hong Kong, each of the Bank and the relevant Issuer irrevocably agrees to appoint a substitute process agent acceptable to the Agents and shall promptly notify the Agents and the Noteholders of such appointment. Nothing shall affect the right to serve process in any manner permitted by law.

(d) Waiver of immunity

To the extent that the Bank or a relevant Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Bank or the relevant Issuer, or its assets or revenues, each of the Bank and the relevant Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

SUMMARY OF PROVISIONS RELATING TO NOTES WHILE REPRESENTED BY GLOBAL NOTES OR GLOBAL CERTIFICATES

INITIAL ISSUE OF NOTES

Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and *vice versa*.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Euroclear, Clearstream and/or as the case may be, the CMU and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Registered Notes will be represented by registered Certificates, one definitive Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series or (a) in the case of Notes issued in reliance on Category 3 of Regulation S of the Securities Act, a Temporary Global Certificate or (b) in the case of all other Notes, a Permanent Global Certificate, in respect of the Notes. Interests in Temporary Global Certificates will be exchangeable for interests in a Permanent Global Certificate only after the date falling at least 40 days after the completion of the distribution of the Notes of the relevant Series and upon certification as to non-U.S. beneficial ownership. Registered Notes sold in an "**offshore transaction**" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate. Registered Notes sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate.

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or a sub-custodian for the HKMA as operator of the CMU.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or, in the case of Registered Notes, directed or deemed by the CMU as entitled) to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

EXCHANGE

Temporary Global Notes

Each Temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the TEFRA C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a Permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Permanent Global Notes

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*Partial Exchange of Permanent Global Notes*" below, in part for Definitive Notes or, in the case of (i) below, Registered Notes:

(i) if the Permanent Global Note is held on behalf of Euroclear or Clearstream or the CMU or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

(ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Temporary Global Certificates

Interests in a Temporary Global Certificate will be exchangeable after its Exchange Date, upon certification of non-U.S. person beneficial ownership, for beneficial interests in the related Permanent Global Certificate deposited on its Issue Date with, and registered in the name of a nominee for the Common Depositary for Euroclear and Clearstream. For transfers of Notes represented by Temporary Global Certificates which are Unrestricted Global Certificates or Restricted Global Certificates, please refer to "*Permanent Global Certificates – Unrestricted Global Certificates*" or "*Permanent Global Certificates – Restricted Global Certificates*" in this section.

Permanent Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear or Clearstream or the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2 may only be made in part:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due;

provided that, in the case of the first transfer of part of a holding pursuant to (i) or (ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer. Individual Certificates issued in exchange for a beneficial interest in a Restricted Global Certificate shall bear the legend applicable to such Notes as set out in "*Transfer Restrictions*".

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note

and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means (i) in relation to an exchange of a Temporary Global Note to a Permanent Global Note or an exchange of a Temporary Global Certificate to a Global Certificate, the day falling after the expiry of 40 days after its issue date or the completion of distribution of the relevant Tranche of the Notes, whichever later; or (ii) in relation to an exchange of a Permanent Global Note to a Definitive Note, a day falling not less than 60 days or in the case of exchange following failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the cities in which the relevant clearing systems are located.

AMENDMENT TO CONDITIONS

The Temporary Global Notes, Permanent Global Notes, Temporary Global Certificates and Permanent Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the TEFRA D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes.

Payments, if any, due on any Temporary Global Certificate prior to the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. In the case of interest falling due on or after the Exchange Date in respect of any portion of a Temporary Global Certificate in respect of which such certification of non-U.S. beneficial ownership has been delivered, payment will be made only to the extent that the Issuer has failed to procure the exchange for a Permanent Global Certificate or for definitive Registered Notes, as the case may be, of that portion of the Temporary Global Certificate. All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the relevant Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate representing Notes held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "**Clearing System Business Day**" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Notes that are represented by a Permanent Global Note or a Permanent Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a Global Note or of the Notes represented by a Global Certificate shall (unless such Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Global Note or a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes.

Cancellation

Cancellation of any Note represented by a Global Note or Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Global Note or Global Certificate.

Purchase

Notes represented by a Global Note or Global Certificate may only be purchased by the Issuer or any of its respective subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

The Option of the Issuer

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note or Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain, the certificate numbers of Notes drawn in respect of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes, while such Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held by or on behalf of a clearing system, may be exercised by (i) the holder giving notice to the CMU Lodging and Paying Agent within the time limits in respect of which the option is exercised and presenting the Global Note or Global Certificate for endorsement or exercise (if required) or (ii) a holder of a book-entry interest in the Notes represented by the Global Note or Global Certificate delivering to the CMU Lodging and Paying Agent the relevant exercise notice, duly completed by or on behalf of such holder (on appropriate proof of its identity and interest), in each case within the time limits specified in the Conditions and otherwise in accordance with the rules and procedures of the relevant clearing system. In the case of (ii) above, deposit of the Global Note or Global Certificate with the CMU Lodging and Paying Agent together with such exercise notice shall not be required.

Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate, and any such notice shall be deemed to have been given to the Noteholders on the day on which such notice is delivered to the CMU.

PARTLY PAID NOTES

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes or Global Certificates. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note or Global Certificate representing such Notes may be exchanged for an interest in a Permanent Global Note, a Permanent Global Certificate, Definitive Notes or definitive Certificates (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holder in respect of them.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

[**EU PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); [or] (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**EU Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II[●]/[; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**").][4] Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**EU PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the EU PRIIPs Regulation.]

[**UK RETAIL INVESTORS – PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distribute or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is [either one (or both) of the following: (i)] not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**")[●]/[; or (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024.] Paragraph (ii) is not required where the Notes have a denomination of at least GBP50,000 or equivalent. Consequently no disclosure document required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.]

[**EU MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**EU MiFID II**")]/[EU MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [Consider any negative target market] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[4] Paragraph (iii) is not required where the Notes have a denomination of at least €100,000 or equivalent.

[**UK MIFIR product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018]/[EUWA] ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*] Any [person subsequently offering, selling or recommending the Notes (a "**distributor**")]/[distributor] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[**Singapore Securities and Futures Act Product Classification**: Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (the "**SFA**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are ["**prescribed capital markets products**"]/[capital markets products other than "**prescribed capital markets products**"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).][5]

[**Paragraph 21 of the Hong Kong SFC Code of Conduct** – As paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission applies to this offering of Notes, prospective investors should refer to the section on "*Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors*" appearing on pages iii to iv of the Offering Circular, and CMIs (as defined in the Offering Circular) should refer to the section on "*Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)*" appearing on pages 194 to 195 of the Offering Circular.]

Pricing Supplement dated [●]

[China Merchants Bank Co., Ltd. (the "Bank")]/[*Branch Issuer*]
(a joint stock company incorporated in the People's Republic of China with limited liability)

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*] (the "**Notes**") under the U.S.$5,000,000,000 Medium Term Note Programme (the "**Programme**")

[5] For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated [●] [and the supplement to it dated [●]] ([together,] the "**Offering Circular**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. [Copies of the Offering Circular may be obtained from [*address*]].

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular.

[*The following language applies where the relevant Series of Notes will be listed on the Hong Kong Stock Exchange*:

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only.

Notice to Hong Kong Investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited ("**HKSE**") on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme or the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or the Bank or the Bank and its subsidiaries (the "Group") or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document together with the Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Bank and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

1.. .	Issuer:	[China Merchants Bank Co., Ltd.]/[*Insert Relevant Branch*]
2.. .	[(i)] Series Number:	[●]
	[(ii) Tranche Number: (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.*)]	[●]
3.. .	Specified Currency or Currencies:	[●]
4.. .	Aggregate Nominal Amount:	
	[(i)] Series:	[●]

[(ii) Tranche: [●]]

5.. .	[(i)] Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	[(ii) Net proceeds:	[●] (*Required only for listed issues*)]
	[(iii) Use of proceeds:	[●]]
6.. .	(i) Specified Denominations:	[●][(1)]
	(ii) Calculation Amount (4):	[●]
7.. .	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable]
8.. .	Maturity Date:	[*Specify date (for Fixed Rate Notes) or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][(2)]
9.. .	Interest Basis:	[[●] per cent. Fixed Rate] [[*specify reference rate*] +/– [●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10..	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11..	Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12..	Put/Call Options:	[Put Option] [Call Option] [(further particulars specified below)] [Not Applicable]
13..	Status of the Notes:	Senior Notes
14..	Listing:	[[●]/Other (*specify*)/None]
15..	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16..	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Payment Date(s):	[●] in each year[(3)] [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
	(iii) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[(4)]
	(iv) Broken Amount:	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate*]
	(v) Day Count Fraction (Condition 5(l)):	[30/360/Actual/Actual – ICMA/ISDA/*Other*] (*Day count fraction should be Actual/Actual- ICMA for all fixed rate issues other than those denominated in US dollars, Renminbi or Hong Kong dollars, unless the client requests otherwise*)
	(vi) Determination Date(s) (Condition 5(l)):	[[●] in each year/Not Applicable]. [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*][(5)]
	(vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
17..	Floating Rate Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
	(i) Rate[(s)] of Interest:	
	• Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/Screen Rate Determination (SOFR Benchmark)/ISDA Determination/*Other* (*give details*)]
	• Margin(s):	[+/–] [●] per cent. per annum
	(ii) Interest Period(s):	[●]
	(iii) Specified Interest Payment Dates:	[●]
	(iv) Interest Period Date(s):	[Not Applicable/As defined in the Conditions/*specify dates*] (*Not applicable unless different from Interest Payment Date*)

(v)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other (give details)]
(vi)	Business Centre(s) (Condition 5(l)):	[●]
(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s):	[The Hongkong and Shanghai Banking Corporation Limited/*Other* (*specify*)]
(viii)	Screen Rate Determination (Condition 5(b)(iii)(B)):	[Applicable/Not Applicable]
	• [Reference Rate:	[●]
	• Interest Determination Date:	[[●] [TARGET] Business Days in [*specify city*] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
	• Relevant Screen Page:	[●]]
(ix)	ISDA Determination (Condition 5(b)(iii)(A)):	[Applicable/Not Applicable]
	• ISDA Definitions:	[2006 ISDA Definitions]/[2021 ISDA Definitions]
	• Floating Rate Option:	[●]
	• Designated Maturity:	[●]
	• Reset Date:	[●]
	• Compounding:	[Applicable/Not Applicable] (*If not applicable delete the remaining items of this sub-paragraph*)
	• Compounding Method:	[Compounding with Lookback • Lookback: [●] Applicable Business Days] [Compounding with Observation Period Shift • Observation Period Shift: [●] Observation Period Shift Business Days • Observation Period Shift Additional Business Days: [[●]/Not Applicable]]

[Compounding with Lockout

- Lockout: [●] Lockout Period Business Days
- Lockout Period Business Days: [[●]/Applicable Business Days]]

- Index Provisions: [Applicable/Not Applicable] (*If not applicable delete the remaining items of this sub-paragraph*)
- Index Method: Compounded Index Method with Observation Period Shift
  - Observation Period Shift: [●] Observation Period Shift Business Days
  - Observation Period Shift Additional Business Days: [[●]/Not Applicable]

(x) Screen Rate Determination (SOFR Benchmark) (Condition 5(b)(iii)(C))

- [Reference Rate: SOFR Benchmark – [Simple SOFR Average/Compounded SOFR Average/SOFR Compounded Index]]
- Compounded SOFR Average Method: [Not Applicable/SOFR Observation Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout – *used for Compounded SOFR Average only*]
- SOFR $Index_{Start}$: [Not Applicable]/[[c] U.S. Government Securities Business Days preceding the first date of the relevant Interest Accrual Period – *used for SOFR Compounded Index only*]
- SOFR IndexEnd: [Not Applicable]/[[●] U.S. Government Securities Business Days preceding the Interest Period Date relating to the relevant Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date) – *used for SOFR Compounded Index only*]
- Interest Determination Date(s): [The [●] U.S. Government Securities Business Day prior to the last day of each Interest Accrual Period – *only applicable in the case of Simple SOFR Average/SOFR Observation Lag/SOFR Observation Shift/SOFR Lockout/SOFR Compounded Index*] [The Interest Period Date at the end of each Interest Period, provided that the Interest Determination Date with respect to the final Interest Accrual Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date – only applicable in the case of SOFR Payment Delay]
- Lookback Days: [[●] U.S. Government Securities Business Days – *used for SOFR Lag only*]/[Not Applicable]

	• SOFR Observation Shift Days:	[[●] U.S. Government Securities Business Days – *used for the SOFR Observation Shift or SOFR Compounded Index only*]/[Not Applicable]
	• SOFR Rate Cut-Off Date:	[The date falling [●] Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the date fixed for redemption, as applicable – *used for Simple SOFR Average (if applicable), Compounded SOFR Average – SOFR Payment Delay or SOFR Lockout only*]/[Not Applicable]
	• Interest Payment Delay Days:	[[●] Business Days – *used for SOFR Payment Delay only*]/[Not Applicable]
	• Observation Shift Days (Condition 5(b)(iii)(D)(*SOFR Index Unavailable*)):	[[●] U.S. Government Securities Business Days – *used for SOFR Index Unavailable only*]/[Not Applicable]
	(xi) Minimum Rate of Interest:	[●] per cent. per annum
	(xii) Maximum Rate of Interest:	[●] per cent. per annum
	(xiii) Day Count Fraction (Condition 5(l)):	[●]
	(xiv) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[Benchmark Event/Benchmark Event (SOFR)/*specify if fallback provisions different from those set out in the Conditions*]
18..	Zero Coupon Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii) Day Count Fraction (Condition 5(l)):	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
19..	Index Linked Interest Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Index/Formula:	[*Give or annex details*]

(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
(iv)	Interest Period(s):	[●]
(v)	Specified Interest Payment Dates:	[●]
(vi)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Other (*give details*)]
(vii)	Business Centre(s) (Condition 5(l)):	[●]
(viii)	Minimum Rate of Interest:	[●] per cent. per annum
(ix)	Maximum Rate of Interest:	[●] per cent. per annum
(x)	Day Count Fraction (Condition 5(l))	[●]
20..	Dual Currency Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Rate of Exchange/Method of calculating Rate of Exchange	[*Give details*]
(ii)	Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]

(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]
(v)	Day Count Fraction (Condition 5(l)):	[●]

PROVISIONS RELATING TO REDEMPTION

21..	Call Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii)	If redeemable in part:	
(a)	Minimum Redemption Amount:	[●] per Calculation Amount
(b)	Maximum Redemption Amount:	[●] per Calculation Amount
(iv)	Notice period:	[●]
22..	Put Option	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
(iii)	Notice period:	[●]
23..	Final Redemption Amount of each Note	[●] per Calculation Amount

24.. Early Redemption Amount

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or Event of Default (Condition 10) and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25..	Form of Notes:	[Bearer Notes/Registered Notes] [*Delete as appropriate*] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time] [Permanent Global Certificate exchangeable for Definitive Certificates in the limited circumstances specified in the Permanent Global Certificate] [Permanent Global Certificate exchangeable for Definitive Certificates on [●] days' notice/at any time][(6)(7)]
26..	Financial Centre(s) (Condition 7(h)) or other special provisions relating to payment dates:	[Not Applicable/give details. *Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(vi) and 19(vii) relate*] For the avoidance of doubt, "**business day**" for the Notes shall include [●].
27..	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28..	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]

29..	Details relating to Instalment Notes:	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	[●]
	(ii) Instalment Date(s):	[●]
	(iii) Minimum Instalment Amount:	[●]
	(iv) Maximum Instalment Amount:	[●]
30..	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
31..	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
32..	Other terms or special conditions:	[Not Applicable/*give details*][(7)]

DISTRIBUTION

33..	(i) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii) Stabilisation Manager (if any):	[Not Applicable/*give name*]
34..	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
35..	U.S. Selling Restrictions	[Reg. S Category 1/2/3; TEFRA D Rules/TEFRA C Rules/TEFRA Not Applicable; Rule 144A]
36..	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)
37..	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.*)
38..	Additional selling restrictions[6]:	[Not Applicable/*give details*]

[6] To consider if amendments to the Singapore selling restrictions for flexibility of sales to persons other than accredited investors and institutional investors are required.

OPERATIONAL INFORMATION

39..	ISIN Code:	[●]
40..	Common Code:	[●]
41..	CMU Instrument Number:	[●]
42..	CUSIP Number:	[●]
43..	Legal Entity Identifier of the Bank:	[●]
44..	Any clearing system(s) other than Euroclear, Clearstream, the CMU and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
45..	Delivery:	Delivery [against/free of] payment
46..	Additional Paying Agents (if any):	[●]

GENERAL

47..	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [c], producing a sum of (for Notes not denominated in US dollars):	[Not Applicable/US$[●]]
48..	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable/Luxembourg]
49..	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	[Not Applicable/Hong Kong]
50..	(i) Date of corporate approval(s) for the issuance of the Notes:	[●]
	(ii) Date of any regulatory approval for the issuance of the Notes:	[●]
51..	Rating(s):	[Not Applicable]/[The Notes to be issued are [expected to be] rated [●] by [●]] *A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension and withdrawal at any time by the relevant rating agency.*

HONG KONG SFC CODE OF CONDUCT

52..	Rebates:	[A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Notes subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Notes distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.]/[Not Applicable]
53..	Contact email addresses [of the Overall Coordinators] where underlying investor information in relation to omnibus orders should be sent:	[Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – Overall Coordinators to *provide*]/[Not Applicable]
54..	[Marketing and Investor Targeting Strategy:	[as indicated in the Offering Circular]/[*Provide details if different from the Offering Circular*]]

[**USE OF PROCEEDS**

Give details if different from the "**Use of Proceeds**" section in the Offering Circular.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$5,000,000,000 Medium Term Note Programme of China Merchants Bank Co., Ltd..]

[STABILISATION

In connection with the issue of any Tranche of Notes, one or more of the Managers named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There][(8)] has been no significant change in the financial or trading position of the Issuer or of the Group since [*insert date of last audited accounts or interim accounts (if later)] and no material adverse change in the financial position or prospects of the Issuer or of the Group since [insert date of last published annual accounts*].]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: _____
Duly authorised

Notes:

(1) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: "**€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000**".

(2) Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

(3) Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "**provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day.**"

(4) For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "**Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards.**"

(5) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

(6) If the Global Note/Certificate is exchangeable for Definitive Notes/Certificates at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

(7) Only applicable if permitted by the rules of the relevant clearing system. The limited circumstances in which exchange is permitted are set out under the section "**Summary of Provisions Relating to Notes while Represented by Global Notes or Global Certificates – Exchange**" in the Offering Circular.

(8) If full terms and conditions are to be used, please add the following here: "**The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary.**"

The first set of bracketed words is to be deleted where there is a Permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

(9) If any change is disclosed in the Pricing Supplement, it may require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Group's consolidated capitalisation and indebtedness as at 31 December 2025. This table should be read in conjunction with the financial statements and the accompanying notes included in this Offering Circular.

	As at 31 December 2025
	(in millions of RMB)
Liabilities[(1)]	
Debt securities issued	80,963
Negotiable interbank certificates of deposit issued	11,259
Certificates of deposit and other debt securities issued[(2)]	50,181
Accrued interest	1,084
Total debt securities issued	**143,487**
Equity	
Share capital	25,220
Other equity instruments	177,457
– Preference shares	27,468
– Perpetual bonds	149,989
Capital reserve	65,409
Investment revaluation reserve	23,574
Hedging reserve	15
Surplus reserve	136,270
General reserve	163,481
Retained earnings	654,512
Proposed profit appropriation	25,296
Exchange reserve	1,641
Total equity attributable to equity holders of the Bank	**1,272,875**
Non-controlling interests	8,024
– Non-controlling interest	8,024
Total equity	**1,280,899**
Total Capitalisation[(3)]	**1,424,386**

(1) As at 31 December 2025, besides debt securities issued, the Group had borrowing from central banks, deposits from banks and other financial institutions, placements from banks and other financial institutions, financial liabilities at fair value through profit or loss, derivative financial liabilities, amounts sold under repurchase agreements, deposits from customers, salaries and welfare payable, tax payable, contract liabilities, lease liabilities, provisions, and other liabilities.

(2) Other debt securities issued are notes issued by overseas subsidiaries of the Bank.

(3) Total capitalisation represents the sum of debt issued and total equity.

Save as disclosed in this Offering Circular, there has been no material change to the Group's consolidated capitalisation and indebtedness since 31 December 2025.

USE OF PROCEEDS

Unless otherwise specified in the applicable Pricing Supplement, the Group intends to use the proceeds of each issuance of Notes for refinancing.

DESCRIPTION OF THE BANK

OVERVIEW

The Bank was incorporated on 11 August 1987 as a joint stock company with limited liability under the Approval on Pilot Establishment of Merchants Bank (《關於同意試辦招商銀行的批覆》(銀覆[1986]175號)) issued by the PBOC and with registration number She Qi Fu No. 0345 (蛇企副字0345號). Founded in 1987 with its head office in Shenzhen, China, the Bank mainly focuses on the market in China. The Bank's distribution network is mainly distributed in major central cities in the Chinese mainland and some international financial centres such as Hong Kong, New York, London, Singapore, Luxembourg and Sydney. As at 31 December 2025, the Bank had 143 branches and 1,801 sub-branches in mainland China, two branch-level specialised institutions (a Credit Card Centre and a Global Markets Centre), 2,157 self-service banks, 5,162 cash self-service devices and 4,789 visual counters. The Bank also has a Hong Kong branch, a New York branch, a representative office in Chinese Taipei, a London branch in the United Kingdom, a Singapore branch, a Luxembourg branch and a Sydney branch and a Melbourne branch in Australia.

The growth of the Bank from a regional bank into a national commercial bank with significant asset scale and strength in China is primarily attributable to its resources and efforts. The Bank was listed on the Shanghai Stock Exchange in April 2002 and on the HKSE in September 2006.

The Bank provides customers with various wholesale and retail banking products and services, and maintains financial markets businesses for proprietary purpose and client flow trading. Many innovative products and services of the Bank have been well accepted by the market. Retail banking services include the account, payment and settlement services based on the "All-in-one" multifunction debit card and credit card, segmentation and classification-based wealth management services including the "Sunflower Wealth Management" services and private banking services, retail credit services, CMB APP, CMB Life APP, "All-in-one Net" comprehensive online banking service platform, and other online services. Wholesale banking services include payment and settlement, wealth management, investment and financing and digital services, cash management, technology finance, green finance, inclusive finance, retirement finance, digital finance, supply chain finance and cross-border finance services, asset management, asset custody and investment banking services etc. The Bank continues to tap further into the living and business circles of customers to provide customers with customised, intelligent and comprehensive solutions for their supply chains and investment chains.

In recent years, the Bank has come up with the strategic vision of "building the best value creation bank that is innovation-driven, model-leading, and distinctive in features" based on the internal and external situation and its own development. In line with the trends of Chinese modernisation, economic globalisation, a new wave of technological revolution and industrial upgrade, the Bank consistently enhances its quality and efficiency in serving the real economy and social well-being, accelerates transformation through "the Internationalisation Initiative, the Comprehensive Operation Initiative, the Differentiation Initiative, and the Digitisation and Intelligence Initiative", and strives to create more value for customers, employees, shareholders, partners and society, with the aim of making greater contributions to Chinese modernisation and the construction of a financial powerhouse.

As at 31 December 2024 and 2025, the Group had approximately RMB12,152.036 billion and RMB13,070.523 billion in total assets, respectively, and RMB6,888.315 billion and RMB7,258.058 billion in total loans and advances to customers, respectively. For the years ended 31 December 2024 and 2025, the Group had an operating income of RMB334.489 billion and RMB331.800 billion, respectively, and a net profit of RMB149.559 billion and RMB151.126 billion, respectively. For the year ended 31 December 2025, the Group had a net profit attributable to shareholders of the Bank of RMB150.181 billion, representing a year-on-year increase of 1.21%. Net operating income was RMB337.273 billion, representing a year-on-year increase of 0.05%, among which, the net non-interest income was RMB121.680 billion, representing a year-on-year decrease of 3.31%. The return on average asset attributable to shareholders of the Bank and the return on average equity attributable to ordinary shareholders of the Bank were 1.19% and 13.44%, down by 0.09 percentage point and 1.05 percentage

points year-on-year, respectively. For the years ended 31 December 2024 and 2025, the net interest spread of the Group was 1.86% and 1.78%, respectively, and the net interest margin of the Group was 1.98% and 1.87%, respectively.

In 2024 and 2025, the Bank received a number of honours and awards from organisations both at home and abroad, including:

- In March 2024, the Bank ranked 10th globally in "The Top 500 Banking Brands 2024" released by Brand Finance, a brand value evaluation and consulting organisation, with a brand value of U.S.$26.644 billion.

- In May 2024, *The Asian Banker* magazine released the results of the business achievement awards. The Bank was honoured as the "Best Wealth Management Bank in Asia Pacific", "Best Joint Stock Retail Bank in China" and "Most Recommended Retail Bank in China (BQS Consumer Survey)".

- In June 2024, the US magazine *Institutional Investor* released the results of the "2024 All-Asia Executive Team". The Bank won several awards, including "Asia's Most Honoured Company", "Best Board of Directors", "Best ESG", "Best IR Program" and "Best IR Team", becoming a company with the highest overall ranking and the most awards in the financial industry in the Asian region.

- In July 2024, *The Banker* (UK) released the list of "Top 1,000 World Banks 2024". The Bank ranked 10th globally in terms of Tier 1 capital scale, moving up one place from the previous year and ranking among the top ten for the first time.

- In July 2024, the Bank received the award of "Best Digital Bank in China" at the "2024 Awards for Excellence" ceremony staged by *Euromoney* (UK).

- In August 2024, the list of *2024 Fortune Global 500* was officially released, on which the Bank ranked 179th and making the list for 13 consecutive years.

- In October 2024, China Banking Association announced the results of the "GYROSCOPE" evaluation on the stable development capability of commercial banks in 2024. The Bank ranked second among nationwide commercial banks with a comprehensive score of 91.02.

- In December 2024, the Bank won "Top 10 Best Employers of the Year", "Most Socially Responsible Employer" and "Most Admired Employer by Women" at the awards ceremony for the "Best Employer in China 2024" jointly organised by Zhaopin.com, Institute of Social Science Survey, Peking University and other organisations, has been shortlisted in the top 10 list of Best Employers in China of the Year for 14 consecutive years and won the first place for the first time.

- In March 2025, the Bank ranked 10th globally in "The Top 500 Banking Brands 2025" released by Brand Finance, a brand value evaluation and consulting organisation.

- In June 2025, Extel (formerly UK-based magazine Institutional Investor), an international financial ranking institution, released the results of the "2025 All-Asia Executive Team". The Bank won several awards, including "Asia's Most Honoured Company", "Best Board of Directors", "Best CEO", "Best CFO", "Best IR Team", "Best ESG Company" and "Best IR Program", becoming the bank with the highest overall ranking and the most awards in the Asian region.

- In June 2025, The Asian Banker magazine released the results of its awards programme. The Bank won twelve awards, including the "Best Retail Bank in China", "Best Wealth Management Bank in China", "Best Custody Bank in China" and "Best Joint-stock Transaction Bank in China".

- In July 2025, The Banker (UK) released the list of "Top 1,000 World Banks 2025". The Bank ranked 8th globally in terms of Tier 1 capital scale, moving up two places from the previous year.

- In July 2025, the Bank was honoured as the "Asia's Best Bank for Consumers", "Best Digital Bank in China", and other awards at the "2025 Awards for Excellence" ceremony staged by Euromoney (UK).

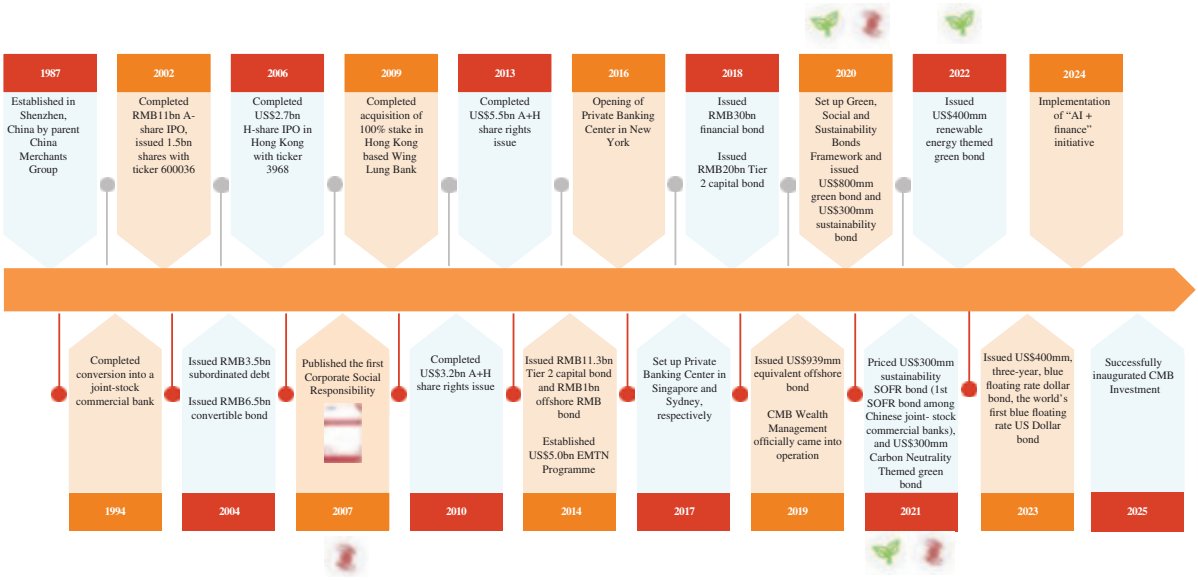
- In July 2025, the list of Fortune Global 500 was officially released, on which the Bank ranked 193rd and has been named to the list for 14 consecutive years.

- In October 2025, the Bank was honoured as the "Best M&A Bank" and other awards at the "Stars of China 2025" ceremony staged by Global Finance (USA).

- In December 2025, The Asian Banker magazine released the results of its awards programme. The Bank was honoured as the "Best Managed Bank in China" in the Leadership Achievement Awards in 2025 and "Best Private Bank in China" in the Wealth and Society Awards.

- In December 2025, the Bank won the first place in the "Best Employers in China", and was honoured as the "Most Admired Employer by Women" and "Most Socially Responsible Employer" at the awards ceremony for the "Best Employer in China 2025" jointly organised by Zhaopin.com, Institute of Social Science Survey, Peking University and other organisations, making it the only institution among all participating enterprises to win three major accolades. The Bank has been shortlisted in the top 10 list of Best Employers in China of the Year for 15 consecutive years.

The following chart shows certain events in the Bank's historical development.



CORE COMPETITIVE STRENGTHS

The Bank's core competitive strengths are as follows:

Leading retail finance business with unique competitive advantages

The Bank is one of the earliest among its domestic peers to have prioritised the development of its retail finance business. The Bank has developed a leading position in retail finance business. By building a comprehensive business management system, a healthy customer structure, a coordinated system of channels and a well-organised product portfolio, the Bank believes it has established its systematic advantages and secured a leading market position. It plans to continue to reinforce and enlarge its core retail businesses such as wealth management, small and micro enterprise business and consumer finance.

For the year ended 31 December 2025, profit before tax of retail finance business of the Group amounted to RMB90.676 billion, up by 0.04% year-on-year, and accounting for 50.66% of the profit before tax of the Group, representing a year-on-year decrease of 0.08 percentage point; net operating income amounted to RMB190.988 billion, down by 2.95% year-on-year, and accounting for 56.63% of the net operating income of the Group, representing a year-on-year decrease of 1.74 percentage points.

Corporate finance business with specialised and professional operations

The Bank's corporate finance business, such as cash management, trade finance, cross-border finance and mergers and acquisitions financing, continued to achieve a rapid and steady growth and a strong performance. With respect to its M&A financing business, the Bank focused its efforts on core business lines including technology finance and green finance, providing integrated M&A financial services centred on industrial upgrading and transformation within capital markets, strategic emerging industries, and key sectors. This supported customers in extending their industrial chains and enhancing value, thereby comprehensively serving the high-quality development of the real economy. As at 31 December 2025, the Bank's total corporate loans amounted to RMB2,929.737 billion, representing an increase of 13.10% as compared with the end of 2024, accounting for 42.42% of the Bank's total loans and advances. For the year ended 31 December 2025, the Bank's M&A financing business volume amounted to RMB253.283 billion, representing a year-on-year increase of 22.58%, Among which, the amount of RMB M&A loans granted increased by 111.41% year-on-year. In 2025, the Bank successfully executed several major projects with market influence, including the largest Hong Kong-listed stock privatisation project in the automotive sector in 2025, the largest M&A project of an innovative pharmaceutical company in China, the largest highway acquisition project in 2025, and the largest bankruptcy restructuring project in 2025.

Prioritising the expansion of loans in key areas such as technology finance, green finance, inclusive finance and manufacturing industry, the Bank built systematic, distinctive, specialised, digital-intelligent, and brand-oriented competitive advantages with significantly higher growth rate in these key sectors compared to the average growth rate of the loans extended by the Bank. As at 31 December 2025, the balance of technology loans amounted to RMB1,036.854 billion[7], representing an increase of 8.06% as compared with the beginning of 2025; the balance of green loans amounted to RMB609.413 billion[8], representing an increase of 21.01% as compared with the beginning of 2025; the balance of loans granted to inclusive small- and micro-sized enterprises amounted to RMB962.139 billion, representing an increase of 8.39% as compared with the end of 2024; and the balance of loans extended to the manufacturing industry amounted to RMB733.612 billion, representing an increase of 14.36% as compared with the end of 2024.

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[7] Since 2025, technology loans are calculated based on the statistical calibre of the People's Bank of China, including loans to sci-tech enterprises and loans to technology-related industries.

[8] Green loans refer to loans extended by the Bank to corporate or institutional legal persons, or other organisations or individuals eligible as borrowers under applicable national regulations, for purposes aligned with the Green Finance Endorsed Project Catalogue (2025 Edition).

Rapidly developing cross-border finance platform

With regards to its cross-border customers, the Bank has overcome many unfavourable factors in domestic and overseas markets, and thoroughly implemented the policy of high-level opening-up. Centred on the Bank's customers, it advanced the digitalisation of cross-border business, implemented intelligent review for cross-border remittances, supported emerging foreign trade models such as cross-border e-commerce, optimised digital services for capital account transactions, and refined its export data financing product "Export Flash Loan (出口閃貸)", and advanced foreign exchange framework and risk management system with long-termism. For the year ended 31 December 2025, the Bank recorded U.S.$480.784 billion of international balance of payments for corporate customers, representing an increase of 12.96% based on the same calibre as compared with 2024.

Continuous enhancement of digital and intelligent platform

The Bank adheres to the business development underpinned by technological innovation, and continuously promotes the construction of "**Digital & Intelligent CMB**" around online, data-based, intelligent, platform-based and ecological operation. The Bank implements "AI+" initiative, practising the "AI First" philosophy and executed the principles of AI "priority", "leadership", and "pioneering", fully embracing the new generation of AI revolution represented by large model, to expedite the development of an intelligent bank and to advance the integration of "people + digital intelligence". Leveraging the Fintech Innovation Project Fund which focused on the strategic directions, AI development, and cutting-edge technology, the Bank continuously promotes the construction of its digital and intelligent capabilities. During the year ended 31 December 2025, 684 new Fintech innovation projects were launched, and 545 new projects were put into operation. As at 31 December 2025, the number of the Bank's Fintech innovation projects launched and put into operation reached an aggregate of 5,094 and 4,338, respectively.

In terms of retail business, the Bank comprehensively promoted the construction and application of digital and intelligent retail sector, improved intelligent service experience for customers and built a new retail paradigm driven by digital intelligence. Regarding channel development, as at 31 December 2025, the monthly active users of the CMB APP and the CMB Life APP totalled 129 million. Furthermore, the Bank enriched the functionalities of the CMB APP, continuously optimised the account services development and provided a series of TREE asset allocation tools, such as fund review, strengthening its personalised service capabilities for customer. Regarding customer service, the Bank upgraded the "Xiao Zhao (小招)" intelligent services to enhance the intelligent interaction experience, expanding from the wealth management scenario to full-scenario services covering deposit, loan, and remittance; launched the "Xiao Zhao Voice Control (小招語控)" function, supporting operations such as information inquiry and transaction processing and other operations via voice; and strengthened its visual asset allocation service capabilities, continuously improving customer service quality and efficiency. Regarding product optimisation, the Bank impelled the digital and intelligent transformation of retail credit, enriched integration with external data sources, expanded risk identification dimensions, and continuously refined risk models and intelligent approval processes, delivering a more convenient credit product experience for users.

In terms of wholesale business, the Bank accelerated the enhancement of its digital and intelligent capabilities in corporate finance, promoted the digital and intelligent upgrading of its business model and continued to deepen the development of its corporate customer service system. Regarding channel development, as at 31 December 2025, the number of monthly active customers of wholesale online channels reached 2.2085 million, representing a year-on-year increase of 13.29%. Regarding customer service, the Bank developed an intelligent wealth manager for financial institution customers called "Zhaoyingtong AI Xiao Zhao (招贏通 AI 小招)". This solution is designated to help customers complete various high-frequency operations through natural language interactions and the one-time transaction success rate reached 99.40%. The AI-assisted account opening feature improved the efficiency of account opening on the "Zhao Ying Tong (招贏通)" platform by 35 percentage points. Regarding product optimisation, the Bank enhanced the efficiency of online business processing through the digital and intelligent upgrading of its products, with 97.72% of financing business conducted online and 86.62% of foreign exchange business conducted online, representing an increase of 3.91 and 9.21 percentage points

respectively, as compared with the end of 2024. To empower industrial digital upgrading, the Bank supported the corporate demand for upgrading treasury management through the Treasury Management Cloud (財資管理雲) to assist various corporate clients in improving their efficiency in allocating financial resources. As at 31 December 2025, Treasury Management Cloud (財資管理雲) served 799,300 customers, representing an increase of 29.93% as compared with the end of 2024.

In terms of risk management, focusing on "high-frequency, critical and advantageous" scenarios, the Bank accelerated the digital and intelligent transformation of risk management and reinforced its "fortress-style" risk management system. The Group Risk-management System (GRS) was comprehensively upgraded, establishing eight core modules covering Customer Management, Risk Information, Assessment & Evaluation, Risk Process, Risk Control, Risk Early Warning, Credit Operation, and Analysis & Monitoring with the objective of achieving leading performance, user convenience and operational effectiveness, which provided a robust system support for building a new risk management model driven by digital intelligence. For the year ended 31 December 2025, the corporate loans newly granted through the online risk control platform amounted to RMB579.790 billion, representing a year-on-year increase of 44.03%.

In terms of operation management, the Bank deepened the application of AI and large model technology across its front, middle and back offices to enhance the level of automated processing and intelligent decision-making. For the retail line, the Bank continuously strove to develop a series of retail "Assistant (小助)", covering key positions and core business scenarios, continuously optimised the interaction between intelligent applications and internal users, continuously empowering relationship managers and middle-office teams in scenarios such as customer management, business analysis and wealth investment research. For the wholesale line, the Bank created "CRM Assistant (CRM 小助)" to help corporate relationship managers improve the quality and efficiency of customer service. For the risk line, the Bank created "Risk Assistant (風險小助)" and embedded it into operational workflows to achieve intelligence-driven risk management. For the operation line, the Bank created "Ying Xiao Zhu (營小助)", and enabled scenario applications including digital assistant, operational knowledge Q&A, intelligent business review, intelligent service training simulation, and intelligent analysis of risk events. As at 31 December 2025, the user coverage rates for corporate relationship managers, credit personnel, and operating staff using their respective Assistants reached 80.13%, 80.32% and 100%, respectively. In the asset and liability management area, the Bank created "Smart Capital GPT (智本GPT)", an intelligent agent, advancing the interaction paradigm from "knowledge Q&A" towards "intelligent assistant" and enhancing the effectiveness of capital data governance and refined management. The "Smart Price (智價)" empowered pricing management scenarios, comprehensively improving pricing execution efficiency and decision support capabilities. In the finance and accounting area, the large model technology improved the quality and efficiency of financial reimbursement. For the year ended 31 December 2025, 1,408,500 paperless reimbursement claims were processed, with a year-on-year increase of 23.76%. The proportion of paperless financial reimbursements increased to 89.62%, up by 7.73 percentage points compared with the end of 2024.

In terms of technological infrastructure, the Bank improved the digital and intelligent foundation of "cloud + AI + middle platform", developed leading large model technical capabilities, and comprehensively promoted the implementation of large model applications. Cloud platform was continuously upgraded with the resource utilisation and availability of the CMB Cloud steadily improving. For the year ended 31 December 2025, the overall availability of cloud exceeded 99.999%. The construction of the middle platform achieved remarkable results. In terms of the technical middle platform, the Bank continuously enhanced the scale, quality and reusability level of application components, consolidating enterprise-level technological capabilities. As at 31 December 2025, a total of 6,445 application components were launched. In terms of the data middle platform, with continuous improvement in data asset management, the Bank actively participated in building the data factor market and in the development and application of public data, fully unlocking data value. As at 31 December 2025, big data services covered over 76% of the Bank's business personnel. AI development and application were comprehensively promoted, with synergised efforts in the areas of technical system, scenario application and ecosystem construction. In terms of the technical system, the Bank built an industry-leading intelligent computing infrastructure. For the year ended 31 December 2025, average daily Tokens throughput has increased by 10.1 times as

compared to 2024, with 183 specialised and refined domain models implemented. In terms of scenario applications, as at 31 December 2025, 856 were deployed across retail finance, wholesale finance, risk control, operation, office and other areas, effectively enhancing business processing efficiency and service quality. For the year ended 31 December 2025, working efficiency improvement resulted in saving 15.56 million working hours. In the research and development area, the Bank deepened the application of "Encoding Assistant (編碼小助)", a large-model-assisted encoding product, evolving from Copilot model towards Agent model[9]. This achieved coverage of over 97% of research and development personnel, effectively improving encoding efficiency. In terms of ecosystem construction, the Bank conducted AI capability certification for employees across various roles internally, providing AI mindset and skill training to all employees. Externally, the Bank actively participated in building a collaborative large model technology ecosystem. In 2025, the Bank officially became a maintainer of two mainstream open-source projects, making it the only banking institution in China to achieve this qualification.

Industry benchmark of high-quality services

The Bank has devised unique service models since its inception and established the service concept of "we are here just for you" through years of practice in the banking business. The Bank attach importance to the customer service experience, proactively promote service upgrading, and always keep its service quality ahead. "Good service" has been the brand for the Bank to attract customers and expand market.

Continuously enhanced brand influence

The Bank built up "CMB" as an excellent financial brand by making sustained product technology innovation, offering high quality services, generating steady operational results and advanced management concepts. Since its inception, the Bank has been enhancing its brand influence and the brand value has rapidly increased. The Bank has won wide international acclaim in recognition of its excellent performance. The Bank ranked 8th in the award of "Top 1,000 World Banks 2025" released by The Banker (UK) and honoured as the "Asia's Best Bank for Consumers", "Best Digital Bank in China", among other awards at the "2025 Awards for Excellence" ceremony staged by Euromoney (UK).

Experienced management team

The Bank's senior management team is highly experienced with a proven track record of performance. With extensive management knowledge, operating experience, expertise and with relevant professional experience in the industry, the Bank's senior management's capabilities have been critical to its success and their strategic vision and leadership have positioned the Bank for continued growth. The Bank believes that its management team, with a proven track record in delivering sound operational and financial results, is equipped with the critical knowledge and skills required to take advantage of market opportunities, which are expected to continue to improve the Bank's overall performance.

BUSINESS DEVELOPMENT STRATEGIES

The Bank is committed to building the best value creation bank with innovation-driven development, leading model and distinguished features. Applying the principle of "the heavy serves as the foundation of the light", strengthening the Bank's capital-heavy business while expanding its capital-light business, the Bank upholds the philosophy of win-win business and business for common good to grow into a value creation bank. The Bank seeks to maximise the comprehensive value of customers, employees, shareholders, partners and the society, as well as creating a new pattern of high-quality growth, aiming to become a world-class commercial bank. The Bank's strategic focus is upholding the strategic dominant position of retail finance while persistently promoting the balanced and coordinated development of four major sectors, namely retail finance, corporate finance, investment banking and financial markets, and wealth management and asset management. Focusing on building core capabilities in wealth management,

[9] Copilot is centred on "completion" – it completes code blocks based on the user's current input. Agent, by contrast, is centred on "agency" – it independently decomposes complex tasks into multiple sub-steps and executes them to achieve the goals set by the user.

digital and intelligent technology, and risk management, the Bank will actively promote the continuous evolution of its organisational culture. The Bank intends to implement the following strategies:

- **Expanding wealth management business and accelerating the transformation of the business model.** The Bank will continue to deliver growth in both total assets under management ("**AUM**") from retail customers and the financing products aggregate to corporate customers ("**FPA**").

- **Advancing digital and intelligent technology and developing the Bank with technology.** Focusing on the goal of online, data-based, intelligent, platform-based and ecological operation, the Bank will comprehensively promote the digital reshaping of financial infrastructure and capability systems, customers and channels, businesses and products, management and decision-making, while actively exploring the new mode of "AI + Finance", embracing the "AI First" philosophy, and deeply implementing the "AI+" initiative, with the aim of developing CMB into an intelligent bank.

- **Strengthening risk management and continuously building a fortress-style risk and compliance management system.** Adhering to sound and prudent risk management principles, the Bank will strive to fortify the four pillars of its fortress-style risk and compliance management system, namely: (i) a sound and effective organisational structure; (ii) a sound and prudent evaluation system; (iii) an independent and balanced process and institutional framework; and (iv) an intelligent and efficient management information system.

- **Pursuing the core values and building the cultural and organisational foundation for a value creation bank.** Firstly, the Bank will uphold and enhance CMB's corporate culture focusing on entrepreneurship, service quality, innovation, risk management, compliance, management excellence, people-orientation and integrity, with the aim of creating a vibrant and evolving cultural system. Secondly, the Bank will build a team dedicated to serving its strategies and creating value together, providing organisational support and a strong talent foundation for a value creation bank. Thirdly, the Bank will actively implement sustainable development principles in serving the real economy, actively fulfil environmental and social responsibilities, and enhance the standard of its corporate governance.

In particular in 2026, the Bank aims to further implement the value creation bank strategy, keep moving forward while maintaining stability, and take proactive measures, creating more and greater value for customers, employees, shareholders, partners, and the society, and contributing to the construction of a financial powerhouse and the path of financial development with Chinese characteristics.

Firstly, the Bank will proactively enhance the quality and efficiency of services to the real economy. Capturing policies and market opportunities, the Bank will focus on policies and market opportunities in the key areas such as the "Two Renewal Campaigns" and "Two Major Plans", expanding the capacity and improving the quality of the service industry, promoting high-quality development of key industrial chains, advancing the "carbon peak and carbon neutrality" goals, stabilising the property market, and fostering the healthy development of capital markets. The Bank will increase lending efforts to maintain reasonable growth in credit volume and effective improvement in credit quality. The Bank will continue to excel in technology finance, green finance, inclusive finance, retirement finance, digital finance, intelligent manufacturing finance, cross-border finance, government finance, and consumer finance. Through high-quality financial provision, the Bank will contribute to the high-quality development of the economy and society.

Secondly, the Bank will engage in both capital-light and capital-heavy businesses to accelerate balanced and coordinated development of the four major business segments. The Bank will continuously consolidate the systematic advantages of the retail finance sector, accelerating to become "the best retail bank in China driven by innovation, leading the market, and with an excellent brand"; the Bank will continue to build specialised advantages in corporate finance, expand high-quality customer groups, consolidate and refine the segmentation and classification-based service system, and strengthen core competencies; the Bank will promote the investment banking and financial markets segments to further expand and optimise the business, strengthen professional, systematic, and ecological construction, and consolidate and improve competitive advantages in segmented areas; the Bank will accelerate the development of the wealth management and asset management segments, fostering mutual reinforcement and virtuous cycles to elevate its capacity for creating value for customers.

Thirdly, the Bank will seize opportunities and resolutely advance the transformation through the "Four Initiatives". The Bank will accelerate "the Internationalisation Initiative", promote high-quality growth of overseas institutions tailored to local conditions, enhance global service capabilities and influence, and elevate the internationalisation level of management and talent. The Bank will extensively advance "the Comprehensive Operation Initiative", fully leverage the advantages of its financial licenses and business presence to enhance the overall competitiveness of its subsidiaries and strengthen mutual empowerment between the parent bank and its subsidiaries. In particular, the Bank will create competitive strengths through "the Differentiation Initiative", consolidate the dominant position of retail finance, promote balanced and coordinated development of the four major business segments, reinforce and expand the advantages in serving clients in targeted sectors, develop new strengths in specialised businesses, accelerate the formation of new growth poles in key regions, and enhance differentiated development capabilities. The Bank will accelerate transformation through "the Digitisation and Intelligence Initiative", adhere to an "AI First" philosophy to expedite the development of an intelligent bank; the Bank will expand and deepen AI applications while intensifying exploration of intelligent agent deployment; the Bank will enhance data governance and knowledge management capabilities; the Bank will accelerate the building of an AI-driven organisation, establish a digital and intelligent capability management system, and effectively advance the integration of "people + digital intelligence" at a deeper level.

Fourthly, the Bank will uphold the bottom line and continuously consolidate a fortress-style risk and compliance management system. The Bank will strengthen risk prevention and control in key areas, persistently advance the prevention and resolution of real estate risks, accelerate the establishment of a proactive risk management system for retail loans, and enhance market risk prevention and control. The Bank will strengthen system and capability development, continuously consolidate and refine the organisational structure, institutional processes, and evaluation and assessment systems for risk and compliance management. The Bank will accelerate AI empowerment as well as digital and intelligent transformation to enhance the effectiveness of the risk and compliance management framework. The Bank will strengthen internal control and compliance management, intensively carry out the "Year of Deepening Compliance Management" activities, reinforce risk compliance awareness training, and rigorously guard against money laundering risks, sanctions compliance risks, and country risks.

Fifthly, the Bank will consolidate its foundations and continuously enhance its loan management capabilities. The Bank will strengthen asset-liability management, promote aggregate growth in assets and liabilities, optimise structural adjustments, and ensure reasonable pricing. The Bank will refine capital allocation and management, improve the efficiency of capital use, and maintain the competitive edge in net interest margin. The Bank will strengthen holistic cost management, balance short-, medium-, and long-term value creation. The Bank will adopt targeted measures, retaining necessary expenses and reducing those with lower priority, so as to achieve greater cost reduction and efficiency enhancement. The Bank will put emphasis on team management, strengthening the building of a "professional, diverse, market-driven, and international" talent pool, increasing human resource allocation in key areas, and cultivating a high-calibre specialist workforce. The Bank will strengthen consumer rights protection management, boost tiered and categorised complaint management, and continuously advance service improvement initiatives to elevate the overall service capabilities. The Bank will upgrade operations management, and persistently advance digital and intelligent, platform-based, and centralised operations management, thereby enhancing business support and customer service capabilities.

THE GROUP'S BUSINESS OPERATIONS

The Group's principal activities are the provision of corporate and personal banking services, conducting treasury businesses, and the provision of asset management and other financial services. The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. Since 2016, in order to adapt to the client and product line coordination mechanism, the Group was converted into wholesale finance business and retail finance business and other business segment. The profits and losses of the treasury were allocated to two business lines proportionally. After adjustment for the main business segments of the Group, the reporting for the segments was as follows:

- Wholesale finance business: The financial services for corporate clients, government agencies and financial institutions include loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business such as placement and repurchase, asset custody business, financial market business, and other services.

- Retail finance business: The financial services provided to retail customers include loan and deposit service, bank card service, wealth management services, private banking and other services.

- Other Business: Other business covers investment properties, subsidiaries (except for CMB Wing Lung Bank Limited and CMB Financial Leasing Co., Ltd.), associates and joint ventures.

The following table sets forth the operating results of each segment of the Group for the periods indicated.

	For the year ended 31 December							
	2025				2024			
Item	Profit before tax by segment	Percentage	Net operating income	Percentage	Profit before tax by segment	Percentage	Net operating income	Percentage
	(in millions of RMB)	*(%)*	*(in millions of RMB)*	*(%)*	*(in millions of RMB)*	*(%)*	*(in millions of RMB)*	*(%)*
(in millions of RMB)								
Retail finance	90,676	50.66	190,988	56.63	90,644	50.74	196,784	58.37
Wholesale finance	85,412	47.72	137,939	40.90	87,556	49.01	135,393	40.16
Other businesses	2,905	1.62	8,346	2.47	452	0.25	4,944	1.47
Total	**178,993**	**100.00**	**337,273**	**100.00**	**178,652**	**100.00**	**337,121**	**100.00**

Retail Finance

The Group is one of the earliest among its domestic peers to have prioritised the development of its retail finance business. By building a comprehensive business management system, a healthy customer structure, a coordinated system of channels and a well-organised product portfolio, the Group believes it has established its systematic advantages and secured a leading market position. Meanwhile, the Group believes it possesses outstanding competitive advantages in terms of certain core retail businesses such as wealth management, small and micro enterprise business and consumer finance.

For the year ended 31 December 2025, the profit before tax from the retail finance business of the Bank amounted to RMB87.417 billion, representing a year-on-year decrease of 0.65%. The net operating income from the retail finance business amounted to RMB185.264 billion, representing a year-on-year decrease of 3.73% and accounting for 61.93% of the net operating income of the Bank. The net interest income from the retail finance business amounted to RMB136.978 billion, representing a year-on-year decrease of 5.74% and accounting for 73.94% of the net operating income from retail finance; the net non-interest income from the retail finance business amounted to RMB48.286 billion, representing a year-on-year increase of 2.46%, accounting for 26.06% of the net operating income from retail finance and 53.46% of the net non-interest income of the Bank. For the year ended 31 December 2025, the fee and commission income from retail wealth management business of the Bank was RMB23.794 billion, representing a year-on-year increase of 17.85% and accounting for 51.27% of the net fee and commission income from retail finance; and the Bank recorded a fee income of RMB13.516 billion from retail bank card business, representing a year-on-year decrease of 18.74%.

For the year ended 31 December 2025, by adhering to its core value of "being customer-centric and creating value for customers", the Bank focused on customers' need in "deposit, loan, and remittance", enriched its product offerings, enhanced service models, deepened customer operation, and continued to consolidate its systematic strengths in retail finance to provide customers with comprehensive retail finance services. For the year ended 31 December 2025, the retail business of the Bank maintained a good momentum of development.

Retail Customers and Total Assets Under Management for Retail Customers

For the year ended 31 December 2025, in the face of the complex and volatile external situation and the increasingly fierce competition from the banks and other financial institutions, and driven by the needs of customers as the starting point, the Bank focused on value creation and persistently enhanced quality and efficiency of customer services. On one hand, the Bank strengthened customer acquisition. The Bank deeply promoted the strategic deployment in key regions, continuously strengthened its customer acquisition capabilities in group finance service, and tapped into the growth potential of high-quality customer base. On the other hand, the Bank enhanced customer service. The Bank reviewed the origin of customer demand, improved the service system, enhanced professional service capabilities and continued to push forward the digital and intelligent transformation of customer service. For the year ended 31 December 2025, the number of retail customers and the balance of the total AUM from retail customers of the Bank maintained stable growth.

As at 31 December 2025, the Bank had 224 million retail customers (including debit and credit card customers), representing an increase of 6.67% as compared with the end of 2024, among which the number of customers in the level of Golden Sunflower and above (those with minimum daily average total assets of RMB500,000 for each month) reached 5,931,500, representing an increase of 13.29% as compared with the end of 2024.

As at 31 December 2025, the balance of total AUM from retail customers of the Bank amounted to RMB17,082.519 billion, representing an increase of 14.44% as compared with the end of 2024. As at 31 December 2025, the balance of deposits from retail customers of the Bank amounted to RMB4,265.528 billion, representing an increase of 11.49% as compared with the end of 2024. For the year ended 31 December 2025, 49.01% of the daily average balance of deposits from retail customers of the Bank was demand deposits.

Wealth Management

The Bank launched its wealth management services in 2002 to meet the growing needs of affluent customers in China. The Bank's Sunflower wealth management services are generally provided to the Bank's Sunflower VIP customers. Such services include, among other things, dedicated one-on-one financial consulting services, dedicated Sunflower wealth management centres, VIP rooms and VIP counters, provision of timely wealth management information and special discounts for certain of the Bank's products and services. The Bank's wealth management customers also enjoy other services provided by many of the Bank's partners, including, among others, airports, hotels, restaurants, shopping centres and fitness club services in China.

In order to better meet domestic investors' increasingly diversified demand for wealth management, the Bank endeavoured to improve the wealth management experience of customers and sharpen its brand image as a wealth management bank through creating professional wealth management research and support system, developing a professional customer asset management system, improving its customer management and asset allocation capabilities and establishing a comprehensive wealth management product line.

As at 31 December 2025, the Bank's balance of retail wealth management products amounted to RMB4,412.783 billion, representing an increase of 12.20% as compared with the end of 2024. The increase was mainly due to the Bank's primary focus on providing stable products, driving the deployment of diversified option-embedded strategies based on customers' diverse wealth allocation needs, and the scale of wealth management products continuing to grow. For the year ended 31 December 2025, the agency distribution of non-money-market mutual funds of the Bank totalled RMB706.466 billion, representing an increase of 18.13% year-on-year. The increase was mainly due to the increase in allocation of option-embedded products as the Bank capitalised on opportunities within the capital markets by focusing on customer needs. For the year ended 31 December 2025, the Bank recorded RMB224.770 billion in agency distribution of trust schemes, representing an increase of 155.65% as compared with the year ended 31 December 2024, which was mainly due to the marginal improvement in customers' risk

appetite and increased willingness in option-embedded product allocation owing to the recovery in equity markets. For the year ended 31 December 2025, the Bank achieved the agency distribution of insurance premiums of RMB147.655 billion, representing an increase of 25.96% year-on-year, which was mainly due to the Bank having proactively expanded and enriched its product portfolio, including protection insurance and commercial pensions, and effectively met its customers' diverse financial protection needs through professional protection planning services.

For the year ended 31 December 2025, the Bank recorded a fee and commission income from retail wealth management business of RMB23.794 billion, among which, income from agency distribution of wealth management products amounted to RMB8.863 billion. Income from agency distribution of funds amounted to RMB6.102 billion. Income from agency distribution of insurance policies amounted to RMB4.951 billion. Income from agency distribution of trust schemes amounted to RMB3.502 billion. Other income amounted to RMB376 million.

For the year ended 31 December 2025, driven by customers' needs, the Bank focused on value creation, seized market opportunities, constantly improved management level, and continuously upgraded its omni-channel service system to provide customers with high-quality wealth management service.

First, the Bank improved its wealth management operation system to improve whole-journey professional services. Centred on customers' core investment and functional needs amid evolving trends, the Bank proactively addressed falling interest rates and shifting risk appetites. Driven by investment and research capabilities, the Bank maintained diversified product allocation, enhanced differentiated companion service capabilities and fostered the growth in the scale of customers holding wealth management products distributed by the Bank. As at 31 December 2025, the number of retail customers holding wealth management products distributed by the Bank reached 64,122,500, representing an increase of 10.15% as compared with the end of 2024.

Second, the Bank provided customers with diversified product offerings in response to customers' wealth management needs. In terms of wealth management, the Bank continued to promote the transformation of the product allocation structure centred on stable products in accordance with customer's asset allocation needs. In terms of funds, the Bank further enhanced its research and analysis of market trends and policies, and capitalised on market opportunities to enhance the product holding experience. In terms of insurance, the Bank leveraged different products and services to meet customers' diverse needs, such as health, elderly care, and inheritance. The Bank also continued to deepen customer service, promoted the growth of business scale, and expanded customer coverage through the segmentation and classification-based refined operation.

Third, the Bank constantly promoted the "CMB TREE Asset Allocation Service System". The Bank promoted the implementation of multi-asset and multi-strategy allocation, deepened customer support services, and continued to promote the "TREE Long Earnings Plan". The Bank provided a one-stop asset allocation solution for customers. As at 31 December 2025, the Bank had 11,756,800 customers who conducted asset allocation under such system, representing an increase of 13.31% as compared with the end of 2024.

Fourth, the Bank worked with partners to build a wealth management ecosystem to enhance comprehensive wealth management service capabilities. The Bank strengthened its omni-channel integrated operations, deepened collaborative co-creation models with partners, continuously innovated premium services centred on customer needs, and leveraged its digital and intelligent capabilities to enhance collaborative efficiency. As at 31 December 2025, "Zhao Cai Hao (招财號)", an open platform of wealth management business on CMB APP, has onboarded in total 172 institutions with industry representativeness, to create value for customers and partners through jointly built service scenarios.

Private Banking

As at 31 December 2025, the Bank had 199,326 private banking customers (retail customers of the Bank with minimum total daily average assets of RMB10 million per month), representing an increase of 17.87% as compared with the end of 2024.

For the year ended 31 December 2025, the Bank strengthened its professional guidance and coordination between corporate banking business and private banking business, and built an efficient integrated service matrix by enhancing its capabilities in terms of investment research and asset allocation to provide customers with exclusive comprehensive private banking services.

Firstly, the Bank strengthened asset allocation in response to changes in market. While meeting customers' core demands for stability and safety, the Bank responded to their risk appetite and subsequent changes, proactively seized opportunities in the capital markets, enhanced the deployment of equity products and provided differentiated asset allocation strategies. The Bank continuously deepened the allocation of protection insurance products to address customers' needs for wealth succession and retirement planning. In a volatile market environment, underpinned by professional investment research, the Bank continuously carried out asset review and engagement with customers to constantly improve their investment experience.

Secondly, the Bank deepened technological empowerment and optimised customer experience. The Bank upgraded the customer online service journey to deliver a more user-friendly online service experience. The Bank leveraged digital and intelligent technologies to upgrade its professional service capabilities, and provided customers with a one-stop and visualised asset allocation service solutions. It also built its digital support capabilities for family trust operation and protection allocation, and created personalised AI assistants for relationship managers, thereby continuously enhancing the quality and efficiency of customer services.

Thirdly, the Bank fulfilled its social responsibility and promoted wealth for common good. Adhering to the mission of serving the real economy, the Bank integrated resources through collaboration between its corporate banking business and private banking business to fully meet the comprehensive needs of entrepreneurial clients in wealth management, corporate financing, social charity, etc. By constantly enriching the variety of family trust, and expanding innovative service models such as charitable trust, the Bank advocated wealth for common good and empowered its customers to create social value.

Fourthly, the Bank strengthened compliance foundation and enhanced risk management capabilities. The Bank implemented the relevant requirements for consumer rights protection, strengthened the whole-process compliance in sales by building digital monitoring models, standardising marketing activities and improving inspection mechanism, and improved matching between customers and products, so as to effectively prevent risks and ensure the sound operation of the business.

Credit Cards

The Bank's credit cards provide multiple services and functions, including traditional credit card services, such as overdraft payments, cash advances, revolving credit, instalment services and order purchases. The Bank's dual-currency credit cards are accepted globally through the VISA, MasterCard or JCB system. The Bank remained committed to the credit card business vision of being "the best provider of payment experience, the best expert in consumer finance and the leader in diversified marketing platform in China". The Bank continuously pushed forward management reform and built a differentiated competitive edge for CMB credit cards through comprehensive innovation.

As at 31 December 2025, the Bank had issued an aggregate of 97.4510 million active credit cards, and there were 70.1065 million active credit card users. For the year ended 31 December 2025, the credit card transactions of the Bank amounted to RMB4,082.047 billion, representing a decrease of 7.62% as compared with the year ended 31 December 2024. Interest income from credit cards amounted to RMB59.660 billion, representing a decrease of 7.30% as compared with the year ended 31 December 2024. Non-interest income from credit cards amounted to RMB20.353 billion, representing a decrease of 15.73% as compared with the year ended 31 December 2024.

The Bank continuously deepened its operation strategy focusing on "stability and low volatility", advanced the optimisation of its customer base and asset structure, and promoted service and product upgrades, while constantly strengthening its digital and intelligent operation capabilities to help improve operational quality and efficiency. Firstly, the Bank focused on high-quality customer acquisition and

enhanced the card usage experience. Capitalising on technological and industrial trends, the Bank launched the Engineer Card (工程師卡); the Bank deepened e-commerce partnerships with the introduction of the Tmall Supermarket Co-branded Card (天貓超市聯名卡); the Bank refreshed the American Express Centurion Card (美國運通百夫長卡) for travel scenarios; and the Bank was one of the first batch of companies in the industry to launch UnionPay-Visa dual-branded chip card to continually enhance customer payment experience. Secondly, the Bank actively responded to policies to stimulate consumption, and took multiple measures to help boost consumption. The Bank focused on key consumption scenarios such as national subsidies, tourism and e-commerce, continued to allocate resources to launch marketing campaigns around key periods including public holidays, major e-commerce promotions and year-end sales, thereby helping to unlock residents' consumption potential. Thirdly, the Bank enhanced its high-quality asset origination capabilities, enhanced digital and intelligent operational capabilities and promoted the development of its instalment asset business. Furthermore, it deepened automobile instalment business, strengthened online-offline marketing synergy and improved multi-brand business development, thus enhancing its comprehensive service capabilities. Fourthly, the Bank deepened technological empowerment, strengthened AI capability development, and advanced the deep integration of AI technology with business scenarios to drive enhancements in customer experience and operational efficiency through technological innovation. In addition, the Bank has further deepened the operation of the CMB Life APP.

Retail Loans

The Bank provides various loan products to its retail banking customers. Since 2006, the Bank has offered personal revolving loans, personal business loans, and commercial mortgage loans and has developed a quite comprehensive retail loan product line, including various multi-functional products to meet the needs of the Bank's customers. The Bank was among the first banks in the PRC to use a score card to screen borrowers, improving its loans process, increasing operating efficiency and establishing a unified brand image.

As at 31 December 2025, the balance of retail loans of the Bank amounted to RMB3,654.670 billion, representing an increase of 2.15% as compared with the end of 2024 and accounting for 52.92% of the Bank's total loans and advances to customers, down by 1.72 percentage points as compared with the end of 2024. Among which, the balance of the Bank's retail loans (excluding credit card loans) reached RMB2,715.679 billion, representing an increase of 3.25% as compared with the end of 2024, accounting for 39.32% of total loans and advances to customers of the Bank and representing a decrease of 0.85 percentage point as compared with the end of 2024.

For the year ended 31 December 2025, the Bank proactively implemented various national policies concerning the real estate, adhered to the implementation of city-specific policy, continued to focus on meeting demands of first-time home buyers and diversified housing demands for improvement of home upgraders, and accelerated the promotion of second-hand housing business, thus achieving stable and healthy development of the residential mortgage loan business. Furthermore, while maintaining proper risk control management, the Bank continuously optimised its business structure and maintained its efforts in the reasonable granting of micro-finance loans and consumer loans. With respect to micro-finance loans, the Bank strictly followed various regulatory requirements, constantly improved product policies, strengthened service systems, actively promoted product innovation and process improvement, and implemented a scientific and reasonable pricing mechanism, thus fully enhancing the quality and efficiency of services for micro-finance loan customers. With respect to the consumer loan business, the Bank persisted in focusing on the acquisition and management of high-quality customers, and leveraging its strengths in both retail customer resources and financial technology. Through digital and intelligent technologies, it broadened batch customer acquisition channels and innovated customer management models, achieving stable business growth and dynamic balance in asset quality. Concurrently, it continuously optimised risk pricing capabilities to strike a balance between returns and risks. As at 31 December 2025, the Bank recorded a balance of residential mortgage loans of RMB1,411.093 billion, representing an increase of 0.52% as compared with the end of 2024. The balance of retail micro-finance loans amounted to RMB873.559 billion, representing an increase of 6.03% as compared with the end of 2024. The balance of consumer loans amounted to RMB426.653 billion, up by 7.70% as compared with the end of 2024.

As at 31 December 2025, the balance of the Group's retail loans amounted to RMB3,720.191 billion, representing an increase of 2.07% as compared to the end of 2024. Retail loans accounted for 51.26% of the total loans. As at 31 December 2025, the balance of non-performing retail loans of the Group amounted to RMB39.584 billion, representing an increase of RMB4.449 billion as compared with the end of 2024. The non-performing ratio of retail loans was 1.06%, representing an increase of 0.10 percentage point as compared to the end of 2024.

Wholesale Finance

The Bank contributed to the development of the real economy with its integrated service concept of "investment banking and commercial banking" and transformed itself from a capital provider to a capital organiser in order to provide three-dimensional, all-round and multi-level financing support to corporate clients.

For the year ended 31 December 2025, the Bank achieved profit before tax from wholesale finance business of RMB80.378 billion, representing a decrease of 4.21% as compared with the year ended 31 December 2024. The net operating income from wholesale finance business of the Bank was RMB120.061 billion, representing an increase of 0.80% as compared with the year ended 31 December 2024, and accounting for 40.13% of the net operating income of the Bank. Among which, net interest income of wholesale finance business amounted to RMB80.985 billion, representing an increase of 16.06% as compared with the year ended 31 December 2024, and accounting for 67.45% of the net operating income of wholesale finance business; the net non-interest income of wholesale finance business amounted to RMB39.076 billion, representing a decrease of 20.80% as compared with the year ended 31 December 2024, and accounting for 32.55% of the net operating income of wholesale finance business, and 43.27% of the net non-interest income of the Bank.

For the year ended 31 December 2025, the Bank actively integrated into the development of the national modern industrial system, accelerated the development of its advantages of featured finance, continued to advance the systematic development of its wholesale finance operations, and consistently enhanced the quality and efficiency of serving the real economy.

Closely aligning with customer requirements, the Bank leveraged diverse market funding sources, including direct and indirect financing, while harnessing synergies with group subsidiaries and coordination between domestic and overseas institutions, to meet the on- and off-balance-sheet financing needs of its customers. As at 31 December 2025, the Bank's balance of the FPA was RMB6,730.373 billion[10], representing an increase of RMB671.350 billion over the beginning of 2025. Among which, the balance of traditional financing[11] was RMB3,992.355 billion, representing an increase of RMB408.476 billion over the beginning of 2025; the balance of non-traditional financing[12] was RMB2,738.018 billion, representing an increase of RMB262.874 billion over the beginning of 2025. The balance of non-traditional financing accounted for 40.68% of the balance of FPA, representing a decrease of 0.17 percentage point over the beginning of 2025, mainly due to the growth in corporate loans driving an increase in the proportion of traditional financing in the FPA.

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[10] Since the scope of cross-border coordination financing and other businesses included in FPA was adjusted in this period, the same-calibre adjustment was made to the data at the beginning of the period, with the opening balance of the adjusted FPA of RMB6,059.023 billion, of which the balance of traditional financing totalled RMB3,583.879 billion and the balance of non-traditional financing totalled RMB2,475.144 billion.

[11] Traditional financing comprises general corporate loans and commercial bills discounting (including transfer-out of outstanding bills), acceptance, letters of credit, financial letters of guarantee and non-financial letters of guarantee.

[12] The eight compositions of non-traditional financing include: asset operation, proprietary non-standardised corporate investments, financing wealth management, debt financing instruments with the Bank as the lead underwriter, matching transactions, financial leasing, cross-border coordination financing and arranging syndicated loans.

Wholesale Customers

The Bank has established a corporate customer service system with segmentation and classification-based management for strategic customers, institutional customers, financial institution customers, cross-border customers and basic customers. For the year ended 31 December 2025, the Bank continued to refine its segmentation-based customer management approach, deepened classification-based customer operations, anchored its efforts in key sectors of the modern industrial system, and strengthened its capacity for high-quality customer acquisition. Accordingly, both the scale and quality of wholesale customers have been improved. As at 31 December 2025, the total number of corporate customers of the Bank was 3,622,500, representing an increase of 14.40% as compared with the end of 2024. The number of newly acquired corporate customers for the year ended 31 December 2025 was 657,200.

In terms of its strategic customers, the Bank continued to enhance industry insights, innovated product offerings and service models, deepened operations centred on strategic customers and their industrial and investment chains, elevated integrated and differentiated services, iterated industry-specialised operational systems for strategic customers, and accelerated the development of an industry-specific financial framework. As at 31 December 2025, the Bank had 328 strategic customers of the Head Office level[13], with a daily average balance of deposits of RMB1,090.132 billion, representing an increase of 3.24% on the same calibre as compared with 2024, and the balance of loans was RMB1,198.956 billion, representing an increase of 11.92% as compared with the beginning of 2025. As at 31 December 2025, the number of strategic customers of the Bank of the branch level[14] was 7,073, with a daily average balance of deposits of RMB867.185 billion, representing an increase of 6.95% on the same calibre as compared with 2024, and the balance of loans was RMB422.989 billion, representing an increase of 6.14% as compared with the beginning of 2025.

With regard to its institutional customers, the Bank continued to solidify its service and operating foundation with key customers from sectors such as finance, housing and construction, tobacco, and government funds, while actively expanding its reach to potential customers, continuously developing a distinctive digital and intelligent product and service system and steadily advancing specialised services for target customers. In terms of serving national government institutions, the Bank aligned with policy directions, and strove to build a new benchmark for specialised, featured, digital and differentiated services by centring on qualification acquisition, platform access and data collaboration. For the year ended 31 December 2025, the Bank successfully won the bid for the Central Government's Non-Tax Revenue Collection Agency Qualification again with outstanding performance, and became one of the first banks to partner with the Ministry of Housing and Urban-Rural Development in its "one-stop service" for personal home loans with housing provident fund, as well as one of the first batch of banks to achieve system connection and cooperation with the Ministry of Civil Affairs' fund supervision platform. In terms of serving local government institutions, the Bank took promoting high-quality development as its core orientation, focusing on the demands for intellectual, financing, project, and technology support to build a government industry-finance service system, continuously iterated solutions, and boasted market recognition with its comprehensive service capabilities. As at 31 December 2025, the Bank had 75,700 institutional customers, representing an increase of 18.28% as compared with the end of 2024, with an average daily RMB deposit balance of RMB1,058.926 billion, representing a year-on-year increase of 15.51%.

With regard to its financial institution customers, the Bank adopted a customer-centric approach, improved the segmentation and classification-based management system for financial institution customers, strengthened full-cycle and comprehensive management of top-tiered financial institution customers, deepened understanding of customers, and advanced and refined specialised and integrated operations for

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[13] The number of strategic customers of the Head Office level refers to the number of strategic customer groups at the Head Office level served by the Bank. There was an adjustment to the list of strategic customers of the Head Office level in 2025, and the same-calibre adjustment was made to the relevant 2024 data.

[14] The number of strategic customers of the branch level refers to the corporate legal entity number of strategic customers of the branch level served by the Bank. There was an adjustment to the list of strategic customers of the branch level in 2025, and the same-calibre adjustment was made to the relevant 2024 data.

industry customers. At the same time, the Bank continued to collaborate with policy banks to enhance the coverage of funds from sub-loans for inclusive small- and micro-sized enterprises in pilot areas, thus better serving small- and micro-sized enterprises.

With regard to its cross-border customers, the Bank thoroughly implemented the policy of high-level opening-up, actively practised the principle that financial services should serve the real economy. Centred on the customers, it improved its cross-border financial product and service matrix, positioning cross-border finance as an important lever for the acquisition and engagement of high-quality customers of corporate finance. It strengthened segmentation and classification-based operations targeting top-tiered, mid-tiered and basic cross-border customer segments, thereby consolidating its cross-border customer base. For the year ended 31 December 2025, the Bank had 103,100 corporate customers in respect of international balance of payments, representing a year-on-year increase of 17.23%.

With regard to basic customers, the Bank used digital intelligence to reshape the service journey and optimised the service framework for basic customer segments through various online service channels, thereby enhancing the efficiency of services provided to the basic customers and forming a virtuous cycle of upgrade and tiered growth of basic customers, with continuous optimisation of the customer tier structure. For the year ended 31 December 2025, the Bank effectively reached and served 3,151,800 corporate customers through online and offline channels, representing a year-on-year increase of 28.92%. For the year ended 31 December 2025, the Bank had 1,529,400 corporate customers for withholding transactions, representing a year-on-year increase of 13.41%. The transaction amount was RMB2.50 trillion, representing a year-on-year increase of 9.65%.

Corporate Customer Deposits

For the year ended 31 December 2025, the Bank maintained a close watch on market liquidity growth and structural shifts. By integrating external conditions with internal policies, it continuously enhanced its systematic capabilities for managing high-quality liabilities, thereby proactively addressing evolving internal and external circumstances. Concurrently, it focused on capturing the "incremental" market represented by fiscal funds while consolidating the "existing" market characterised by corporate deposits. Operating under the principle of "volume-price equilibrium", the Bank persistently refined its operation and management measures. As at 31 December 2025, corporate customer deposit balance was RMB5,195.362 billion, representing an increase of 4.90% as compared with the end of 2024. The average daily balance of corporate customer deposits was RMB4,929.671 billion, representing a year-on-year increase of 5.64%. Demand deposits accounted for 50.62% of the average daily balance of corporate customer deposits, representing a year-on-year decrease of 1.51 percentage points. For the year ended 31 December 2025, the average cost rate of corporate customer deposits was 1.21%, representing a year-on-year decrease of 37 basis points.

Corporate Loans

As at 31 December 2025, the Bank's total corporate loans amounted to RMB2,929.737 billion, representing an increase of 13.10% as compared with the end of 2024, accounting for 42.42% of the Bank's total loans and advances and representing an increase of 2.86 percentage points as compared with the end of 2024. Among which, the balance of medium- and long-term domestic corporate loans amounted to RMB1,649.709 billion, representing an increase of 8.36% as compared with the end of 2024, accounting for 58.43% of the total domestic corporate loans and representing a decrease of 2.47 percentage points as compared with the end of 2024. As at 31 December 2025, the non-performing loan ratio of the corporate loans was 0.84%, representing a decrease of 0.17 percentage point as compared with the end of 2024.

As at 31 December 2025, the balance of loans to domestic national-standard large enterprises was RMB1,164.281 billion, representing an increase of 4.96% as compared with the end of 2024, accounting for 41.24% of the domestic corporate loans, and representing a decrease of 3.12 percentage points as compared with the end of 2024. The balance of loans to domestic national-standard medium-sized enterprises was RMB585.252 billion, representing an increase of 2.00% as compared with the end of 2024, accounting for 20.73% of the domestic corporate loans and representing a decrease of 2.22 percentage

points as compared with the end of 2024. The balance of domestic national-standard small- and micro-sized enterprise loans was RMB842.157 billion, representing an increase of 35.19% as compared with the end of 2024, accounting for 29.83% of the domestic corporate loans and representing an increase of 4.91 percentage points as compared with the end of 2024. The balance of other loans extended by domestic institutions to enterprises[15] was RMB231.699 billion, representing an increase of 19.35% as compared with the end of 2024, accounting for 8.20% of the domestic corporate loans and representing an increase of 0.43 percentage point as compared with the end of 2024.

For the year ended 31 December 2025, the Bank closely aligned its operations with national macro-economic policies, prioritising the expansion of loans in key areas such as technology finance, green finance, and inclusive finance. Concurrently, it maintained steady and orderly operation of its real estate business. As at 31 December 2025, the balance of the corporate loans extended to the manufacturing industry was RMB733.612 billion, representing an increase of 14.36% as compared with the end of 2024, accounting for 25.04% of the total corporate loans, and representing an increase of 0.28 percentage point as compared with the end of 2024. The balance of corporate green loans was RMB443.434 billion, representing an increase of 20.72% as compared with the beginning of 2025, accounting for 15.14% of the total corporate loans, and representing an increase of 0.96 percentage point as compared with the beginning of 2025.

Technology Finance Business

For the year ended 31 December 2025, the Bank took technology finance as the main direction of serving the real economy, driving high-quality development of financial services supporting technological innovation through deepening the "ecologicalisation, specialisation and systematisation" framework.

In terms of ecologicalisation, the Bank strengthened channel collaboration around the innovation ecosystem, capital ecosystem, and industrial ecosystem for science and technology, enhancing the quality and effectiveness of full-spectrum services for a broader scope of sci-tech enterprises. The Bank partnered with the 14th China Innovation and Entrepreneurship Competition as a supporting bank, to provide financial services to participating enterprises. Leveraging relevant national policies of further expanding the pilot scheme for financial asset investment companies' equity investments, the Bank established China Merchants Bank Financial Asset Investment Co., Ltd. to empower technological innovation.

In terms of specialisation, the Bank upgraded the "Qualification Points" evaluation model to enhance its ability to identify enterprises' scientific and technological innovation attributes. The Bank closely followed regulatory policies and facilitated the rapid implementation of M&A loans for sci-tech enterprises, underwriting of technological innovation bonds, relending for technological innovation and technical upgrades, and other businesses. The Bank issued RMB5 billion Greater Bay Area-themed technology innovation bonds, with proceeds specifically allocated to support technological innovation, thereby empowering the growth and development of sci-tech enterprises through comprehensive financial services. Targeting high-frequency scenarios for sci-tech enterprises, building upon the financing product exclusively designed for sci-tech enterprises, "Sci-tech Loan (科創貸)", the Bank introduced sub-products such as "Sci-tech Talent Loan (科創人才貸)" and "Sci-tech Technical Renovation Loan (科創技改貸)". These provided scenario-based financing support for start-up and growth-stage sci-tech enterprises.

In terms of systematisation, the Bank strengthened the development of the "1+20+100" technology finance organisational structure[16], established the Technology Finance Department of the Head Office, and continuously deepened the construction of the "six specialised" work mechanism which covers specialised policies, products, processes, institutions, teams, and assessments, thereby increasing policy support and resource investment in technology finance. The Bank structured its services around the four cycles of

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[15] Such loans include loans extended by domestic institutions to overseas and offshore customers, domestic non-enterprise customers and self-employed businesses.

[16] Refers to the organisational structure comprising 1 technology finance committee, 20 key technology finance branches, and 100 specialised technology finance sub-branches.

technological innovation: innovative talents, innovative technology, innovative products, and innovative industries. By curating service scenarios, building service ecosystems, and innovating service content, the Bank upgraded and developed a comprehensive "4×3" matrix-based technology finance service solution.

As at 31 December 2025, the Bank served 350,100 sci-tech enterprise customers, including 208,500 enterprises[17] listed on sci-tech rankings; the balance of technology loans amounted to RMB1,036.854 billion, representing an increase of 8.06% as compared with the beginning of 2025.

Bill Business

For the year ended 31 December 2025, the Bank remained customer-centric, continuously enhancing its customer service capabilities. The Bank drove innovation to upgrade its bill product service system, delivering a more comprehensive, intelligent, efficient and specialised customer experience. The Bank remained committed to serving the real economy, fostering steady growth in asset origination, optimising asset management capabilities, and strengthening its resilience to external market fluctuations. For the year ended 31 December 2025, the number of customers of bill business of the Bank was 224,300 with a year-on-year increase of 13.99%, of which micro-, small- and medium-sized customers amounted to 188,100, accounting for 83.86%. The volume of direct bill discounting business of the Bank was RMB2,905.431 billion for the year ended 31 December 2025, representing a year-on-year increase of 12.89%, ranking second in the market (data from the China Banking Association), of which the volume of commercial acceptance bill discounting business was RMB352.505 billion, ranking first in the market (data from the Commercial Bank Bill Business Association). As at 31 December 2025, the Bank's bill discounting balance was RMB322.117 billion, representing a decrease of 15.10% as compared with the end of 2024, mainly due to the fact that the Bank adjusted and optimised asset allocation driven by the decreased interest rate in the bill market.

Transaction Banking Business

For the year ended 31 December 2025, the Bank continued to deepen the development of its distinctive "Enterprise Digital Intelligent Finance (企業數智金融)" brand. Based on production and operation scenarios of enterprises, it comprehensively upgraded digital and intelligent financial services across three core dimensions: inclusive digital intelligence, scenario-based finance, and treasury management. Through providing an integrated product service system[18] of "Collection, Payment, Treasury Management, Financing, and Connection", the Bank actively integrated itself into the digital transformation of enterprises. It reshaped the enterprise service ecosystem through "AI + finance", which empowered the bidirectional circulation of enterprise operation and capital operation. The Bank continued to create value for its corporate customers and build differentiated competitive advantages in corporate finance.

Leveraging Fintech, the Bank accelerated the digital and intelligent transformation of corporate banking business and enhanced the convenience and efficiency of "inclusive digital intelligence" services. For the year ended 31 December 2025, the online service coverage of the financing business of the Bank was further enhanced. Based on digital risk control technology, the Bank continued to upgrade its "Flash Series (閃電系列)" of domestic trade finance products to improve the handling efficiency of short-term financing for enterprises. The Bank upgraded the "Instant Issuance of Letter of Guarantee (保函閃電開)" service and the Guarantee e-Butler service, efficiently meeting customer requirements. Furthermore, the Bank continued to expand the in-depth application of artificial intelligence technology, launching the corporate intelligent assistant, "AI Xiao Zhao (AI 小招)", to provide intelligent services including product operation guidance and treasury data analysis. As at 31 December 2025, "AI Xiao Zhao (AI 小招)" accumulatively served 267,100 corporate customers for a total of 1,479,200 times. For the year ended 31 December 2025,

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[17] Includes enterprises featured on technology-focused lists such as National Champion Enterprises in Manufacturing, National Demonstration Enterprises for Technological Innovation, Specialised, Refined, Distinctive and Innovative "Little Giant" Enterprises, and Specialised, Refined, Distinctive and Innovative SMEs.

[18] The integrated product service system of "Collection, Payment, Treasury Management, Financing and Connection" refers to a series of products and services in the scenarios of enterprise collection, payment, treasury management, financing and ecological connection.

the business volume of domestic letters of credit and domestic letters of guarantee of the Bank amounted to RMB690.090 billion, representing a year-on-year increase of 18.14%; and the domestic trade finance business volume amounted to RMB1,642.255 billion, representing a year-on-year increase of 9.56%.

The Bank also actively explored the comprehensive digital services for enterprises under the scenario of "integration of business and finance". As for the procurement scenario, based on the whole procurement process of enterprises, the Bank focused on the "Payment Centre (付款中心)" to deliver one-stop procurement payment processing, offering enterprises full-cycle digitalised and scenario-based comprehensive payment services that are secure, efficient, cost-effective and intelligent. As for the corporate sales scenario, the Bank built upon the "Corporate Cashier (企業收銀台)" to achieve component-based collection and scenario-based service capability upgrades. The Bank developed standardised enterprise collection services and customised industry cashier solutions based on the needs of corporate customers of different business sizes, transforming payment services from merely functional to contextually effective, thereby facilitating the digital upgrade of customers' sales management. For the year ended 31 December 2025, the Bank served 76,500 corporate customers via Corporate Cashier, representing a year-on-year increase of 23.19%; and the transaction amount was RMB3.55 trillion, representing a year-on-year increase of 14.74%.

Based on the demand for upgrading treasury management, the Bank took the Treasury Management Cloud as the digital service platform for enterprises to assist different types of enterprises in improving their efficiency in allocating financial resources. To meet customer requirements for value-based treasury development, the Bank enhanced capabilities of the system across six key domains: cash operations, resource management, intelligent invoicing, global treasury, risk prevention and control, and strategic decision-making, and launched its new-generation digital and intelligent treasury product suite. At the same time, actively responding to the needs of large corporate group customers to accelerate the construction of treasury systems, the Bank provided professional and comprehensive treasury management solutions for central state-owned enterprises, provincial and municipal state-owned enterprises, listed companies, and cross-border customers through an advisory service approach combining "Consulting + Technology + Finance". For the year ended 31 December 2025, the Bank successfully implemented treasury management projects of numerous leading enterprises, building a brand reputation in industries such as high-end manufacturing, biomedicine, and new economy and consumer goods. As at 31 December 2025, the number of customers of Treasury Management Cloud services reached 799,300, representing an increase of 29.93% as compared with the end of 2024.

The Bank also continued to innovate the "H2H Connection" model to expand the connection between its digital platforms such as the Treasury Management Cloud with digital systems of government agencies, Internet platforms and enterprises. For customers under different segmentation and classification using SaaS digital systems, the Bank provided convenient access to its financial services, helping customers achieve digital connectivity across multiple scenarios and systems throughout the whole business process. As at 31 December 2025, the number of customers of the Cloud-based H2H Connection service reached 288,600, representing an increase of 30.65% as compared with the end of 2024.

Cross-border Finance Business

For the year ended 31 December 2025, the Bank enhanced its capacity to serve the real economy, supporting high-level opening-up and bolstering stable foreign trade and foreign investment. The Bank continued to consolidate its cross-border customer base, upgrade its cross-border financial product suite, and improve the customer experience in handling cross-border businesses. The Bank advanced the digitalisation of cross-border business handling, progressively implemented intelligent review for cross-border remittances, supported emerging foreign trade models such as cross-border e-commerce, optimised digital services for capital account transactions, and refined its export data financing product "Export Flash Loan (出口閃貸)". To support high-level opening-up, by leveraging its full coverage of the four types of non-resident accounts (including offshore accounts) and full coverage of the free trade account system, the Bank provided customers with integrated services including cross-border settlement, foreign exchange transactions, global cash management, trade financing, and cross-border financing. The Bank enhanced the digital service capabilities of its overseas branches to better serve globally operating

enterprises. Guided by facilitating cross-border RMB trade and investment for market entities, the Bank continuously optimised cross-border RMB services, upgraded cross-border RMB settlement services, supported enterprises in managing exchange rate risks, actively participated in the pilot scheme of cross-border cash pool integrating local and foreign currencies, and comprehensively promoted policy awareness to advance the internationalisation of RMB. The Bank steadily advanced foreign exchange business reforms to establish a digitally driven, systematically supported foreign exchange business framework. Centred on risk management and technology-empowered operations, the Bank redesigned foreign exchange processes to further enhance service efficiency for high-quality enterprises, thereby improving the convenience of cross-border trade, investment, and financing. For the year ended 31 December 2025, the Bank recorded U.S.$480.784 billion of international balance of payments for corporate customers, representing a year-on-year increase of 12.96%.

Inclusive Finance Business

For the year ended 31 December 2025, the Bank continued to enhance the competitiveness of its digital and intelligent inclusive finance products, risk compliance management and marketing capabilities in inclusive finance, and cultivate differentiated and intelligent competitive advantages in inclusive finance operations to improve the quality and efficiency of serving the real economy. As at 31 December 2025, the balance of loans granted by the Bank to inclusive small- and micro-sized enterprises amounted to RMB962.139 billion, representing an increase of RMB74.460 billion or 8.39% as compared with the end of 2024. The growth rate of such loans was 2.91 percentage points higher than the overall loan growth rate. The number of inclusive small- and micro-sized enterprises with loan balance was 1,224,700, representing an increase of 147,400 as compared with the end of 2024. For the year ended 31 December 2025, the Bank has newly issued inclusive loans of RMB646.929 billion for inclusive small- and micro-sized enterprises, with an average interest rate of 3.65%, representing a year-on-year decrease of 57 basis points.

With regard to its supply chain and scenario-based finance, the Bank actively responded to the national call to "better serve SME financing", comprehensively optimising the system functionality and credit processes of credit-based[19] products while continuously improving user experience. The Bank persistently explored the "de-core model"[20], steadily building benchmark projects. Both product offerings and customer base grew steadily, with further enhancements in scenario-based data risk control capabilities, data governance capabilities, and industry-specific professional service capabilities. For the year ended 31 December 2025, the business volume of the Bank's supply chain financing amounted to RMB1,104.985 billion, representing a year-on-year increase of 8.90%. The Bank served 10,110 core enterprises of the supply chain, representing a year-on-year increase of 17.38%, and served 60,007 upstream and downstream entities, representing a year-on-year increase of 17.80%.

Retirement Finance Business

For the year ended 31 December 2025, the Bank, with the goal of establishing itself as the best professional retirement financial service organisation in China, continued to deepen its business presence in the three major areas of pension finance, elderly care service finance and elderly care industry finance and built four-in-one innovative advantage by integrating "products + services + channels + technology". In terms of elderly care service finance, by leveraging its strengths in wealth management and financial technology, the Bank refined the customer experience, enhanced service capabilities, and established a comprehensive full-cycle retirement financial services system. In terms of elderly care industry finance, the Bank provided tailored corporate loan products and services for various key customer groups within the elderly care sector, driving rapid growth in loans to the elderly care industry. In terms of pension finance, the Bank leveraged the advantages of multi-licensed operations to advance the systematic development of business operations across all specialised sectors, forging distinctive and differentiated competitive advantages, so as to deepen and expand financial services for the three-pillar pension insurance system.

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[19] The "credit-based" refers to a scenario in supply chain finance where the financing of upstream and downstream enterprises relies upon the credit limit granted to the "core enterprises" by financial institutions.

[20] The "de-core model" refers to a scenario in supply chain finance where upstream and downstream enterprises can secure financing without requiring credit support from the "core enterprises".

In terms of the first pillar, the Bank participated in the national social security informatisation initiative, actively cooperating with human resources and social security departments to promote the issuance and application of the electronic social security cards nationwide, and enhancing digital services for basic pension insurance. For the year ended 31 December 2025, the Bank offered convenient online services for 21,218,600 insured persons, such as social security inquiry and business handling, and supported "nearby service (就近辦)" and "on-line service (掌上辦)" for social security. As at 31 December 2025, the Bank has issued a total of 94,133,700 electronic social security cards, representing an increase of 22.15% as compared with the end of 2024.

In terms of the second pillar, the Bank leveraged its advantages of multiple licenses, including entrustment, custody and account management, to provide high-quality services to occupational annuity agents and corporate annuity trustees. It continued to build an annuity service system in accordance with the requirements of being a trustee characterised by "managing returns effectively", "controlling risks well" and "delivering excellent services". As at 31 December 2025, the Bank's scale of annuity under management reached a new high, exceeding RMB300 billion, and the number of individual customers associated with account management services of corporate annuity was close to 2.40 million.

In terms of the third pillar, the Bank seized the opportunity presented by the full implementation of the private pension scheme to actively promote private pension accounts. As at 31 December 2025, the number of private pension accounts exceeded 15 million, and the amount of contributions was among the highest in the market.

At the same time, the Bank provided in-depth services to the three-pillar pension system through its custody operations, continuously enhancing specialised operational service standards to support the preservation and growth of pension assets. As at 31 December 2025, the pension funds under custody amounted to RMB1.55 trillion.

Investment Banking Business

For the year ended 31 December 2025, the Bank focused on serving the real economy, continuously consolidating its competitive edge in investment banking specialised sectors. Through comprehensive upgrades to its product portfolio, service models and professional capabilities, the Bank steadily enhanced its value creation capabilities.

With respect to its bond underwriting business, the Bank continued to improve its whole-process services for issuers and investors, leveraging the bond market to support the development of China's modern industrial system. For the year ended 31 December 2025, the debt financing instruments with the Bank as the lead underwriter amounted to RMB579.138 billion. Among which, the Bank ranked first in the market in terms of the underwriting size of perpetual bonds and ranked second in the market in terms of the underwriting size of sci-tech innovation bonds (including sci-tech innovation notes) (based on the data from the National Association of Financial Market Institutional Investors). The Bank actively responded to regulatory initiatives, continuously deepening its commitment to product innovation. It successfully launched pioneering projects including the first batch of technology innovation bonds, the first merger and acquisition notes, and the nation's first tunnel asset-backed REITs. These efforts supported the high-quality development of premium enterprises in strategic emerging industries and sectors of comparative advantages. Meanwhile, the Bank received the highest A rating in the 2024 market evaluation of lead underwriting business practices for general lead underwriters of non-financial enterprises debt financing instruments conducted by the National Association of Financial Market Institutional Investors. The Bank was also the only institution across the entire market to be recognised as a distinctive lead underwriter in all four aspects: value discovery capability, inclusive capability, pioneering capability, and capability to support opening-up.

With respect to its M&A financing business, the Bank focused its efforts on core business lines including technology finance and green finance, providing integrated M&A financial services centred on industrial upgrading and transformation within capital markets, strategic emerging industries, and key sectors. This supported customers in extending their industrial chains and enhancing value, thereby comprehensively

serving the high-quality development of the real economy. For the year ended 31 December 2025, the Bank's M&A financing business volume amounted to RMB253.283 billion, representing a year-on-year increase of 22.58%. Among which, the amount of RMB M&A loans granted increased by 111.41% year-on-year. The Bank successfully executed several major projects with market influence, including the largest Hong Kong-listed stock privatisation project in the automotive sector this year, the largest M&A project of an innovative pharmaceutical company in China, the largest highway acquisition project this year, and the largest bankruptcy restructuring project this year.

With respect to its corporate wealth management business, the Bank further deepened its expansion of cooperative institutions, continuously optimising its product system development, and constantly enhancing the customer service experience. For the year ended 31 December 2025, the Bank's average daily balance of corporate wealth management products was RMB524.940 billion, representing a year-on-year increase of 31.28%, which was mainly because the Bank's corporate wealth management business explored distinctive products and services while adhering to the fundamental principle of low volatility and stability with unwavering focus on customer requirements, thereby leading to gradual improvement of its product portfolio, gradual optimisation of its service framework and continuous enhancement of its market competitiveness.

With respect to its market transactions (matching services) business, the Bank established an ecosystem-based service platform to address the diverse, complex and customised investment and financing requirements of corporate customers, thereby facilitating the optimal allocation of financial resources and serving the real economy. For the year ended 31 December 2025, the volume of the Bank's market transaction (matching services) amounted to RMB419.468 billion, representing a year-on-year increase of 14.27%, mainly driven by the effective customer base expansion through focusing on serving the real economy.

Financial Institution Business

With respect to financial institution liability business, for the year ended 31 December 2025, the daily average balance of financial institution deposits of the Bank amounted to RMB835.740 billion, among which financial institution demand deposits accounted for 93.77%. For the year ended 31 December 2025, the Bank proactively expanded the sources of low-cost liabilities, and optimised cost management through strengthening business coordination mechanism, effectively reducing the average cost ratio of financial institution deposits, representing a year-on-year decrease of 29 basis points.

With respect to its depository service, the Bank's security and future margin depository services were in stable operation. The Bank partnered with 107 securities companies in third-party depository services and 20,526,300 customers were secured at 31 December 2025, representing an increase of 11.08% as compared with the end of 2024. Also, the Bank cooperated with 146 futures companies on bank-futures fund transfer, securing 587,300 customers at 31 December 2025, representing an increase of 16.60% as compared with the end of 2024.

Asset Management Business

As at 31 December 2025, the total asset management business of CMB Wealth Management, China Merchants Fund Management Co., Ltd. ("**China Merchants Fund**"), CIGNA & CMB Asset Management Company Limited ("**CIGNA & CMAM**"), and CMB International Capital, all being subsidiaries of the Bank, amounted to RMB4.71 trillion, representing an increase of 5.13% as compared with the end of 2024. Among which, the balance of wealth management products of CMB Wealth Management amounted to RMB2.64 trillion, representing an increase of 6.88% as compared with the end of 2024; the scale of asset management business of China Merchants Fund amounted to RMB1.59 trillion, representing an increase of 1.27% as compared with the end of 2024; the scale of asset management business of CIGNA & CMAM amounted to RMB318.426 billion, representing an increase of 4.17% as compared with the end of 2024; the scale of asset management business of CMB International Capital amounted to RMB164.241 billion, representing an increase of 26.02% as compared with the end of 2024.

CMB Wealth Management adhered to the investment and management philosophy of keep moving forward while maintaining stability, and continuously consolidated its development foundation. In terms of product scale, as at 31 December 2025, the balance of wealth management products managed by CMB Wealth Management increased by RMB173.565 billion as compared with the end of 2024, maintaining the first in the industry. In terms of product layout, CMB Wealth Management built and improved a full-category wealth management product line featuring a clear hierarchy and well-developed strategies, focusing on absolute return targets, and being supplemented by relative return targets. It strengthened the medium-to-long-term deployment of multi-asset and multi-strategy products, establishing brands such as "Short-term Bonds Suite (短債三寶)" and "Gu Ying Jia (固盈家)", while deepening the operation of the multi-asset and multi-strategy brand matrix of "Quan + Fu (全+福)". It enriched product functions such as wealth management regular fixed investment, target returns, customisable payout dates, and flexible withdrawal options to enhance investment experience. In terms of investment and research capabilities building, it deepened the integration of investment and research, strengthened development of capabilities in multi-asset and multi-strategy management, and continuously enhanced strategy research. Its annualised yields of bond-biased hybrid products, equity-biased hybrid products, and equity-based products all ranked among the top in the banking industry, and the market share of its equity-attached wealth management products continued to increase. In terms of risk management, adhering to a prudent and sound risk management philosophy, CMB Wealth Management continued to improve its credit investment risk strategy and credit risk early warning system for the year ended 31 December 2025 to enhance the professionalism and effectiveness of market risk management and liquidity risk management, and continued to improve internal control and compliance management. In terms of technology empowerment, CMB Wealth Management continued to promote the application of AI in core business scenarios such as investment research and risk control. In the investment research and trading sectors, AI trading robots achieved full-chain automation for interest rate bonds, boosting transaction efficiency by threefold.

China Merchants Fund focused on its strategic vision of "building a world-class asset management company guided by the best customer experience". It adhered to a dual-drive approach combining "active management business" and "passive index business", achieving phased progress across all operations. As at 31 December 2025, the scale of asset management business of China Merchants Fund amounted to RMB1.59 trillion, of which the scale of mutual funds under management amounted to RMB961.469 billion, representing an increase of 9.29% as compared with the end of 2024. In terms of product layout, it established a comprehensive product matrix, with ongoing refinement of active and passive product offerings. It expanded the absolute return product line, while actively developing international operations. It successfully launched innovative projects such as the industry's first batch of performance-based floating fee rate products (China Merchants Value Selection Hybrid Fund), the industry's first batch of Sci-tech Innovation Bond ETF products and the industry's first batch of SSE Science and Technology Innovation Board Composite Index ETFs. In terms of investment and research capabilities building, it consolidated and deepened the investment research culture of "integrity, focus and openness". It re-examined the investment research framework and relationships, continuously enhanced active management capabilities, strengthened the core logic of multi-asset allocation and drove the development of a more professional, robust and systematic investment research system. In terms of risk management, China Merchants Fund continued to improve comprehensive risk management framework, further strengthened risk controls over money market fund investments, enhanced operational procedures for ETF investments, and optimised and improved the level of internal control and compliance management, keeping business risks under great control. No major risk incidents occurred in the year ended 31 December 2025. In terms of customer operations, China Merchants Fund actively drove reforms to the marketing system architecture, incorporating customer profitability into performance metrics for the marketing line. It focused its efforts on promoting channel and customer base expansion, steadily advanced the operation of fund investment advisory business, took advantage of the opportunity arising from pension business development, further engaged in customer support and investor education, and fostered more thorough, meticulous and enduring customer services.

CIGNA & CMAM was positioned as a professional and stable long-term capital management institution. It proactively integrated with overall strategic objective of building a value creation bank by leveraging its long-term capital management capabilities and advantages of differentiated product creation. In terms of the insurance fund fiduciary business, CIGNA & CMAM strengthened the dynamic adjustment of asset allocation, systematically enhanced investment research capabilities, and seized market opportunities to boost investment returns. As at 31 December 2025, the scale of insurance funds under fiduciary management was RMB233.313 billion, representing an increase of 23.02% as compared with the end of 2024. In terms of product creation, CIGNA & CMAM accelerated the transformation of alternative asset management product operations, achieving multiple industry-first breakthroughs. It continued to optimise the structure of portfolio-based asset management products, with managed assets growing steadily. In terms of operation and risk management, CIGNA & CMAM enhanced refined management of risk compliance, continuously refined institutional processes, accelerated the advancement of strategic culture development, persistently strengthened technological empowerment, comprehensively bolstered team development, and achieved stable, compliant, and healthy development.

CMB International Capital kept leveraging its differentiated advantages and has maintained its position in the first echelon in the industry with its specialisation in private equity investment business, achieving constant improvement of its operational efficiency. For the year ended 31 December 2025, a total of seven investment projects successfully achieved IPO. CMB International Capital launched the first innovative project of De-SPAC for Chinese enterprises. CMB International Capital was shortlisted for the Innovation and Technology Venture Fund (ITVF) of the Hong Kong Innovation and Technology Commission. CMB International Capital also deepened its cooperation with the Oman Investment Authority on Phase I of the New Momentum Technology Fund (新動量科技基金). For the fund plan with Korea Venture Investment Corp. (KVIC), CMB International Capital was the only fund manager selected in Greater China for 2025. Meanwhile, CMB International Capital focused on developing its mutual funds business. For the year ended 31 December 2025, it launched CMB International Capital Hong Kong Dollar Money Market Fund and CMB International Capital Global Investment Grade Select Bond Fund. As at 31 December 2025, three mutual funds of CMB International Capital have disclosed the performance, with their cumulative returns consistently leading comparable products in the Bloomberg Asia-Pacific region over the same period.

Asset Custody Business

As at 31 December 2025, the balance of assets under custody of the Bank was RMB26.09 trillion, representing an increase of 14.13% as compared with the end of 2024. The total scale of custody ranked among the top of the industry.

For the year ended 31 December 2025, the Bank continued to strengthen its professional performance capabilities, leveraging its distinctive and specialised advantages to consistently develop a new model integrating "professionalism, technology and service", thereby supporting sustained growth in customer value.

Firstly, the Bank's emphasis on both scale and quality has driven the optimisation of the structure of custody business. As at 31 December 2025, the Bank's asset management products[21] contributed to 99.03% of its incremental custody scale, surpassing the average proportion of the industry. The structure of custody business has been optimised continuously.

Secondly, its global custody service network has spanned major financial markets worldwide. The Bank's global custody centre in Singapore officially opened in 2025. It caters to the needs of Chinese institutions "going global" and cross-border capital "brought in", delivering comprehensive one-stop solutions. In 2025, the "China Merchants Bank Custody+" brand was awarded as "Outstanding Influential Brand" by 21st Century Business Herald, with its brand influence continuing to grow.

[21] According to the statistical calibre of the Custody Business Professional Committee under China Banking Association, the custody of asset management products includes custody of securities investments funds, customer asset management of fund companies, customer asset management of securities companies, bank wealth management, trust property, private equity investment funds, insurance assets, pension funds, QDII products, QFI products, futures, etc.

Financial Markets Business

For the year ended 31 December 2025, the Bank continued to enhance its capabilities in diversified asset trading, optimised its client flow trading service model across global financial markets, strengthened its integrated domestic and international operational capabilities, and advanced the high-quality development of its financial markets business.

In terms of investment transactions, the Bank continued to adhere to prudent investment and trading philosophy, diversifying its trading strategies to actively seize market opportunities. By fully utilising derivative instruments to mitigate market volatility, it enhanced investment returns. At the same time, the Bank constantly increased resource investment, accelerated technology empowerment and strengthened customer base expansion to enhance its market-making capabilities. For the year ended 31 December 2025, driven by the substantial growth in the scale of market-making business, the transaction volume of RMB bond investments amounted to RMB8.85 trillion[22], representing a year-on-year increase of 195.99%.

In terms of client flow trading business, the Bank continued to advocate the concept of exchange rate risk neutrality to corporate customers, and published the blue book on the Exchange Rate Risk Management Practices for Chinese Enterprises to assist the enterprises in enhancing their exchange rate risk management capabilities. It deepened the "product + customer base" scenario-based business model, and closely focused on customer needs and market changes to provide solutions against financial market risks covering the products such as exchange rate and interest rate products to enterprises. For the year ended 31 December 2025, the number of wholesale customers of the Bank involved in client flow trading of financial market was 88,823, representing a year-on-year increase of 15.18%, and the transaction volume of client flow trading of wholesale customers of financial market amounted to U.S.$340.024 billion, representing a year-on-year increase of 20.20%.

In terms of digital transformation, the Bank actively capitalised on the latest advancements in artificial intelligence technology, deepening the application of AI large model technology within the financial markets business. Firstly, it explored the establishment of a digital multi-factor trading system to support investment and trading activities in bonds, foreign exchange and precious metals. Secondly, it employed large model technology to enhance the identification and monitoring of risk signals, thereby continuously elevating risk compliance management standards.

In terms of internationalisation, the Bank optimised its global service model and accelerated the establishment of an integrated domestic and overseas customer service system. By developing financial market customer trading platforms at overseas branches and building a differentiated overseas derivatives product system, the Bank better served enterprises' global development and risk management needs. Meanwhile, the Bank continued to actively participate in "Bond Connect" and "Swap Connect" trading. In 2025, the Bank received the "Northbound Top Market Maker" award from Bond Connect Company Limited for seven consecutive years, contributing to the internationalisation of RMB and the opening up of China's capital market.

Distribution Channels

The Bank provides products and services via multiple online and offline distribution channels.

Offline Channels

The Bank's business is mainly in the market of China, and its distribution network is mainly located in major central cities in the Chinese mainland and some international financial centres such as China's Hong Kong, New York, London, Singapore, Luxembourg and Sydney. As at 31 December 2025, the Bank has 143 branches and 1,801 sub-branches in the Chinese mainland, two branch-level specialised institutions (a Credit Card Centre and a Global Markets Centre), 2,157 self-service banks, 5,162 cash self-service devices and 4,789 visual counters. The Bank has a Hong Kong branch in Hong Kong, China ("**Hong Kong**

[22] Refers to transaction volume of RMB bond investment of the Bank's Global Markets Centre.

Branch"), a representative office in Chinese Taipei, a London branch in the United Kingdom ("**London Branch**"), a New York branch ("**New York Branch**") in the United States, a Singapore branch in Singapore ("**Singapore Branch**"), a Luxembourg branch in Luxembourg ("**Luxembourg Branch**") and a Sydney branch in Australia ("**Sydney Branch**"). The Bank also has a Melbourne branch, a city-level branch under Sydney branch.

Major Online Channels for Retail

CMB APP

For the year ended 31 December 2025, the Bank continuously upgraded CMB APP in response to national economic development needs, the advancements of artificial intelligence technology and changes in customer demands. Firstly, wealth management services were upgraded with the introduction of "Five-Star Strategies" in fund selection to assist customers in seizing market opportunities. A whole-process insurance allocation service encompassing "allocation – product selection – review" was established, delivering a more professional and convenient wealth management service to customers. Secondly, retail credit services were optimised by introducing multiple post-loan modification functions, and achieving integrated credit card management and usage to deliver one-stop financing service. Thirdly, payment and settlement services were enhanced through intelligent image recognition transfers, a one-stop query function for social insurance and housing fund contributions, and a comprehensive upgrade to income-expenditure balance management services, facilitating effortless account management for customers. As at 31 December 2025, the monthly active users of the CMB APP reached 88,748,300.

CMB Life APP for credit card

For the year ended 31 December 2025, the Bank continued to enhance the customer service and customer engagement capabilities of the CMB Life APP. By tapping further into high-frequency consumption scenarios, connecting with quality partners, the Bank continued to improve the online service ecosystem, upgraded interaction forms to address diverse user needs and suit business scenarios, enhanced service capabilities, and optimised the user experience. In coordination with consumption periods such as public holidays and year-end, the Bank launched a series of marketing campaigns, strengthening its scalable, well-timed customer engagement capabilities across both online and offline channels.

As at 31 December 2025, the number of monthly active users of the CMB Life APP for credit card was 40,720,900. In terms of user engagement, CMB Life APP was in the front rank among other credit card APPs in the banking industry.

Remote operation service

The Bank provides real-time, comprehensive and prompt integrated services to its customers via multimedia services such as telephone, network and video. In particular, the Bank prioritises the optimisation and upgrading of service processes for critical business scenarios, continuously enhancing the customer service experience. Employing a human-machine collaboration model, the Banking dynamically identifies customers' immediate needs, providing flexible and tailored services for diverse operational contexts to more precisely meet customised service requirements. For the year ended 31 December 2025, the remote online omni-channel manual service connection rate was 99.09%; the remote online omni-channel manual service 20-second response rate was 94.73%; and the remote online omni-channel customer satisfaction rate was 99.82%.

Intelligent service system

In terms of debit card intelligent service system, for the year ended 31 December 2025, the Bank constantly upgraded the intelligent service "Xiao Zhao (小招)". Firstly, the scope of service capabilities of "Xiao Zhao (小招)" was expanded from focusing on wealth management scenarios to encompassing full-scenario services covering "deposit, loan, and remittance"; Secondly, the Bank drove the upgrading of "Xiao Zhao (小招)" to serve as "specialists" and "stewards", progressively shifting from passive "question-and-answer" interactions to "proactive discovery", proactively assisting customers in

monitoring and organising information related to accounts, products, and markets. Thirdly, the Bank enhanced the intelligent interaction experience by introducing the "Xiao Zhao Voice Control (小招語控)" feature, enabling users to efficiently complete information queries and transaction processing through voice interaction.

In terms of credit card intelligent service system, for the year ended 31 December 2025, the Bank continued to push forward the digital and intelligent transformation of customer service for credit card business, optimised intelligent interaction experience and focused on enhancing service quality and efficiency. The Bank expanded the deployment of intelligent service channels, proactively improved the construction of AI agents for business scenarios, and further optimised the human-AI collaboration model of the "Xiao Zhao (小招)" of the CMB Life APP for credit cards, improving its problem-solving ability to customers. Leveraging technologies such as data mining, the Bank applied intelligent products in the credit card service process, which enabled efficient responses to customer needs, driving improvements in service efficiency and customer experience.

Major wholesale online channels

For the year ended 31 December 2025, the Bank focused on the digital transformation needs of corporate treasury management and continues to optimise the two major service channels of CMB Corporate U-Bank and CMB Corporate APP. For the year ended 31 December 2025, the Bank's CMB Corporate U-Bank comprehensively enhanced service capabilities across critical scenarios including treasury management, procurement and sales. The Bank upgraded digital and intelligent capabilities by advancing platform intelligence and customer self-service, creating a more efficient and user-friendly intelligent customer service platform. As the core application for digital and intelligent corporate financial services on mobile devices, CMB Corporate APP provided intelligent treasury services to legal persons, executives and other key personnel of enterprises via the mobile terminals. As at 31 December 2025, the Bank had 3,527,900 wholesale customers on the online channels, representing an increase of 15.06% as compared with the end of 2024. The coverage rate of wholesale customers on the online channels was 97.39%, representing an increase of 0.56 percentage point as compared with the end of 2024. For the year ended 31 December 2025, the Bank had 2,208,500 monthly active customers of wholesale online channels, representing a year-on-year increase of 13.29%; the total number of wholesale transactions handled by the Bank through online channels reached 551 million, representing a year-on-year increase of 14.32%; and the total value of wholesale transactions through online channels amounted to RMB246.69 trillion, representing a year-on-year increase of 10.50%.

Major Overseas Branches

Hong Kong Branch

Established in 2002, the Hong Kong Branch of the Bank is the first branch duly established overseas by the Bank, which can engage in comprehensive commercial banking businesses, including corporate and retail banking businesses. With regard to corporate banking business, the Hong Kong Branch provides diversified corporate banking products and services, such as deposit-taking, settlement, trade financing, bilateral loans, syndicated loans, cross-border M&A comprehensive solutions and asset custody, and engages in transaction of funds, bond trading and foreign exchange trading with financial institutions, and conducts funds clearing and asset transfer with financial institution customers. With regard to retail banking business, the Hong Kong Branch can provide personal banking services and private wealth management services for customers. Featured products include "Hong Kong All-in-one Card" and "Hong Kong Bank-Securities Express".

For the year ended 31 December 2025, the Hong Kong Branch prioritised expanding its high-value business segments, deepened its asset origination capabilities, optimised the allocation structure of interest-earning assets, and simultaneously advanced both the expansion of asset scale and the enhancement of asset quality. It continued to improve its wealth management product suite, comprehensively elevating both the scale of asset management and its customer service capabilities. For the year ended 31 December 2025, the Hong Kong Branch achieved a net operating income of HKD3.237 billion.

New York Branch

Established in 2008, the New York Branch of the Bank is the first branch of Chinese banks approved in the U.S. since the implementation of U.S. Foreign Bank Supervision Enhancement Act in 1991. The New York Branch is located in the global financial centre and is committed to establishing a cross-border financial platform characterised by coordination between China and the U.S., so as to offer diversified and all-round banking services for the companies in China and the U.S. Such services and products mainly include: deposit-taking, settlement, foreign exchange transactions, international settlement documents, trade financing, bilateral loans, syndicated loans, working capital financing, M&A financing, privatisation financing, fund financing, etc. At the same time, the New York Branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers.

For the year ended 31 December 2025, the New York Branch actively implemented a sustainable and high-quality development strategy and achieved notable progress in regarding customer base expansion, optimisation of debt structure, product innovation, and risk compliance construction, with its comprehensive financial service capability constantly improved. For the year ended 31 December 2025, the New York Branch achieved a net operating income of U.S.$93.7231 million.

Singapore Branch

Established in 2013, the Singapore Branch of the Bank is positioned as a significant cross-border financial platform in Southeast Asia. Based in Singapore and expanding to Southeast Asia, the Singapore Branch takes cross-border finance and wealth management as its core businesses. In terms of cross-border finance business, leveraging its geographical advantages and cross-border service experience, the Singapore Branch strives to provide comprehensive one-stop service solutions to the Chinese companies "going global" and the foreign companies located in Singapore and other Southeast Asian countries. The main services of the Singapore Branch include: corporate deposits and account services, settlement, foreign exchange transactions, trade financing, cash management, syndicated loans, asset custody and other related services, providing ongoing support for customers' stable cross-border operations and capital management. In terms of wealth management business, the Private Banking (Singapore) Centre provides high-net-worth customers with comprehensive one-stop services encompassing global asset allocation, domestic and overseas investment and financing, wealth protection and succession planning, non-financial services, and digital services, etc. For the year ended 31 December 2025, the Singapore Branch seized the market opportunities and continuously enhanced the comprehensive customer service capabilities and local market influence by focusing on its core customer groups such as high-quality Chinese enterprises, Singapore's leading enterprises and premium financial institutions in Southeast Asia. For the year ended 31 December 2025, the Singapore Branch achieved a net operating income of U.S.$46.7609 million.

Luxembourg Branch

The Luxembourg Branch of the Bank, established in 2015, is positioned as an important cross-border finance platform in the continental Europe, providing comprehensive cross-border one-stop financial solutions to Chinese companies "going global" and the European companies investing in China. Its main services and products include: deposit-taking, loans, project financing, trade financing, M&A financing, M&A consulting and bond underwriting, etc. The Luxembourg Branch is also committed to building a business platform for the Bank in Europe by combining the advantages of the Bank and European characteristics. In addition, the branch actively built a global service network for private banking customers and provided high-quality non-financial value-added services to high-net-worth private banking customers. For the year ended 31 December 2025, the Luxembourg Branch continued to strengthen its business development efforts targeting corporate and financial institution customers, enhanced asset origination, and actively pursued specialised services such as foreign exchange client flow trading, bond operations, and interbank business, steadily improving its value creation capabilities. For the year ended 31 December 2025, the Luxembourg Branch achieved a net operating income of EUR27.4414 million.

London Branch

Established in 2016, the London Branch of the Bank is the first branch approved to be established in the United Kingdom among all Chinese joint-stock commercial banks, providing comprehensive cross-border one-stop financial solutions to Chinese companies "going global" and leading UK companies investing in China. The main services and products of the London Branch include: deposit-taking, settlement, foreign exchange transactions, trade financing, bilateral loans, syndicated loans and M&A financing, etc. At the same time, the London Branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net worth private banking customers.

For the year ended 31 December 2025, the London Branch implemented the development philosophy of "emphasising both scale and quality, putting quality and efficiency first". It focused on enhancing profitability resilience, cultivating distinctive operational characteristics, and consolidating its developmental foundations, thereby driving continuous improvement in operational quality and efficiency. For the year ended 31 December 2025, the London Branch achieved a net operating income of U.S.$44.6797 million.

Sydney Branch

The Sydney Branch of the Bank was established in 2017 and was the first branch approved to be established in Australia among all Chinese joint-stock commercial banks. The Melbourne Branch, the first overseas city-level branch under it, was established in 2025. The Sydney Branch established a foothold in businesses derived from China-Australia economic, trade and investment exchanges. The Sydney Branch focuses on the needs of the strategic customers "going global" and top-tiered customers of Australia and New Zealand, creating value for customers through providing two-way cross-border financial services. The main services and products of the Sydney Branch include: deposit-taking, settlement, foreign exchange transactions, trade financing, M&A financing and commitment, project financing, syndicated loans and fund financing, etc. At the same time, the branch actively builds a global service network for private banking customers and provides high-quality non-financial value-added services for high-net-worth private banking customers. For the year ended 31 December 2025, the Sydney Branch deepened its engagement in key economic and trade sectors between China and Australia, strengthened the expansion of local customer base, focused on local distinctive industrial asset origination, promoted digital transformation, and strengthened deposit acquisition through trade financing projects, thereby steadily improving its comprehensive operating capabilities. For the year ended 31 December 2025, the Sydney Branch achieved a net operating income of AUD67.8099 million.

Major Subsidiaries

The Bank exercises the rights of shareholders in compliance with the law, keeps on strengthening the comprehensive management over the corporate governance, capital management, risk management, financial management and other aspects of its subsidiaries, and capitalises on the synergy of comprehensive operation to enhance the Group's capabilities of providing comprehensive financial services to customers while achieving their own high-quality growth.

CMB Wing Lung Bank Limited

Founded in 1933, CMB Wing Lung Bank has a registered capital of HKD1.161 billion, and it is a wholly-owned subsidiary of the Bank in Hong Kong. CMB Wing Lung Bank provides customers with diversified banking products and services, including retail and private banking, corporate banking and other banking businesses. CMB Wing Lung Bank also provides trust, asset management and insurance brokerage services through its subsidiaries.

As at 31 December 2025, the total assets of CMB Wing Lung Group amounted to HKD526.542 billion. Total equity attributable to shareholders amounted to HKD54.131 billion. For the year ended 31 December 2025, the net profit attributable to shareholders was HKD4.292 billion. For detailed financial information on CMB Wing Lung Group, please refer to the 2025 annual results of CMB Wing Lung Bank, which is published on the website of CMB Wing Lung Bank (www.cmbwinglungbank.com).

CMB Financial Leasing Co., Ltd.

CMB Financial Leasing was established in 2008 with a registered capital of RMB18 billion. It is a wholly-owned subsidiary of the Bank. CMB Financial Leasing has established three major business segments, namely aviation, shipping and equipment, aiming to build a financial leasing service system based on the "six new" industries of new energy, new infrastructure, new technology, new mobility, new intelligent manufacturing and new materials, so as to meet the needs of lessees to purchase equipment, promote sales, revitalise assets, balance tax burden and improve financial structure. As at 31 December 2025, the total assets of CMB Financial Leasing were RMB325.298 billion and the net assets were RMB41.082 billion. For the year ended 31 December 2025, it realised a net profit of RMB4.407 billion.

CMB International Capital Holdings Corporation Limited

Established in 1993, CMB International Capital is a wholly-owned subsidiary of the Bank in Hong Kong with a registered capital of HKD4.129 billion. CMB International Capital and its subsidiaries have a comprehensive layout across three major sectors: Extensive Investment Banking, Extensive Wealth Management and Extensive Asset Management, encompassing businesses such as corporate financing, global markets, structured financing, wealth management, and asset management.

As at 31 December 2025, the total assets of CMB International Capital amounted to HKD102.036 billion, and its net assets amounted to HKD23.473 billion. For the year ended 31 December 2025, it realised a net profit of HKD4.035 billion. For the year ended 31 December 2025, according to the statistics of Bloomberg and Wind, CMB International Capital completed a total of 54 Hong Kong IPO underwriting projects and 13 Hong Kong IPO sponsorship projects, ranking second and fourth in the Hong Kong market, respectively, maintaining its leading position in terms of Hong Kong IPO underwriting business.

CMB Wealth Management

CMB Wealth Management was established in 2019 with a registered capital of approximately RMB5.556 billion. As at 31 December 2025, the Bank and JPMorgan Asset Management (Asia Pacific) Limited held 90% and 10% of CMB Wealth Management's shares respectively. The business scope of CMB Wealth Management includes the issuance of wealth management products, the provision of wealth management consultancy and advisory services, and other businesses approved by regulatory authorities.

As at 31 December 2025, CMB Wealth Management had total assets of RMB26.738 billion and net assets of RMB25.668 billion. For the year ended 31 December 2025, it realised a net profit of RMB2.726 billion.

China Merchants Fund

Established in 2002, China Merchants Fund had a registered capital of RMB1.31 billion. As at 31 December 2025, the Bank and China Merchants Securities Co., Ltd. held 55% and 45% of China Merchants Fund's shares, respectively. The business scope of China Merchants Fund covers fund establishment, fund management and other operations approved by the CSRC.

As at 31 December 2025, the total assets of China Merchants Fund amounted to RMB15.402 billion, and its net assets amounted to RMB11.155 billion. For the year ended 31 December 2025, it realised a net profit of RMB1.438 billion.

CIGNA & CMAM

CIGNA & CMAM was established in 2020 with a registered capital of RMB500 million, and it is an indirectly owned subsidiary of the Bank, which is owned as to 87.3458% and 12.6542% by CIGNA & CMB Life Insurance Co., Ltd. ("**CIGNA & CMB Life Insurance**"), a joint venture of the Bank, and CMB International Capital, a subsidiary of the Bank, respectively. The business scope of CIGNA & CMAM includes entrusted management of client's funds, issuance of insurance asset management products and consultation business related to asset management.

As at 31 December 2025, CIGNA & CMAM had total assets of RMB1.266 billion, with net assets of RMB964 million and achieved a net profit of RMB125 million for the year ended 31 December 2025.

CMB Europe S.A.

CMB Europe S.A. was established in 2021 with a registered capital of EUR100 million. It is a wholly-owned subsidiary of the Bank in Europe and the regional headquarters of the Bank in the European Union and European Economic Area. CMB Europe S.A. provides its customers with diversified financial products and services such as cross-border financing, M&A finance, private banking, investment management, global markets, bond underwriting, trade financing, and operates and allocates the global assets of enterprises and individuals.

As at 31 December 2025, CMB Europe S.A. had total assets of EUR570 million and net assets of EUR91 million. For the year ended 31 December 2025, it achieved a net profit of EUR763.4 thousand.

CMB Investment

CMB Investment, a wholly-owned subsidiary of the Bank, was approved for business operation in November 2025, with a registered capital of RMB15 billion. It is mainly engaged in market-based debt-to-equity swaps and other businesses approved by regulatory authorities.

As at 31 December 2025, CMB Investment had total assets of RMB15.047 billion and net assets of RMB15.014 billion.

Major Joint Ventures[23]

CIGNA & CMB Life Insurance

CIGNA & CMB Life Insurance, a joint venture of the Bank, was established in 2003 with a registered capital of RMB2.8 billion. As at 31 December 2025, the Bank held 50% shares in CIGNA & CMB Life Insurance and Cigna Health and Life Insurance Company held the other 50% shares. CIGNA & CMB Life Insurance is mainly engaged in insurance businesses such as life insurance, health insurance, accident injury insurance and the reinsurance of the above insurances.

As at 31 December 2025, the total assets of CIGNA & CMB Life Insurance amounted to RMB259.289 billion, and its net assets amounted to RMB14.343 billion. For the year ended 31 December 2025, CIGNA & CMB Life Insurance realised a net profit of RMB3.351 billion.

Merchants Union Consumer Finance

Merchants Union Consumer Finance, a joint venture of the Bank, was established in 2015 with a registered capital of RMB10.0 billion. As at 31 December 2025, the Bank held 50% shares in Merchants Union Consumer Finance and China United Network Communications Limited held the other 50% shares. Merchants Union Consumer Finance is mainly engaged in the granting of personal consumer loans.

As at 31 December 2025, the total assets of Merchants Union Consumer Finance amounted to RMB167.238 billion and the net assets were RMB25.117 billion. For the year ended 31 December 2025, it realised a net profit of RMB3.054 billion.

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[23] The major joint ventures of the Bank include CIGNA & CMB Life Insurance and Merchants Union Consumer Finance, and their financial data has been adjusted in accordance with the accounting policies of the Group, where necessary.

INFORMATION TECHNOLOGY, RESEARCH AND DEVELOPMENT

In 2024, the Bank prioritised technological advancement, comprehensively developing a "Digital & Intelligent CMB". The Bank accelerated the transition from an "Online CMB" to a "Digital & Intelligent CMB". By continuing to develop a digital and intelligent foundation based on "cloud + AI + middle office", the Bank has efficiently unleashed benefits from cloud migration, built intelligent computing infrastructure, and unlocked the value of data assets. Investments in AI and other frontier technologies were increased, expediting the development of new models that integrate "AI + finance" and "people + digital intelligence". The first financial AI model "Yi Zhao (一招)" with tens of billions of parameters was launched in domestic market, with over 120 large-model application scenarios implemented across the Bank, fostering mutual empowerment between people and technology. The deep integration of technology into operations and services remained a priority. Monthly active users of the CMB APP and the CMB Life APP reached 123 million, while the average monthly active customers on wholesale online channels totalled 1.9494 million.

In 2025, the Bank pressed ahead with transformation through the Digitisation and Intelligence Initiative as it put the "AI First" philosophy into practice and continuously consolidated the digital and intelligent foundation of "cloud + AI + middle platform". Average daily Tokens throughput increased by 10.1 times as compared to 2024, with 183 specialised and refined domain-specific models being adopted and 856 scenario applications being deployed. The Bank further upgraded its "Flash Series (閃電系列)" of domestic trade finance products to improve the handling efficiency of short-term financing for enterprises, and the "Instant Issuance of Letter of Guarantee (保函閃電開)" service and the Guarantee e-Butler service, efficiently meeting customer requirements. The Bank upgraded also upgraded its corporate intelligent customer services "Xiao Zhao (小招)" and developed a series of intelligent assistants named "Xiao Zhu (小助)", accelerating the exploration of "people + digital intelligence" operation and service models to continuously improve service efficiency and customer experience, and also enhanced the intelligent interaction experience by introducing the "Xiao Zhao Voice Control (小招語控)" feature, enabling users to efficiently complete information queries and transaction processing through voice interaction.

In terms of information security, the Bank has established the Information Security Management Committee, chaired by the President and the Chief Information Officer as the Executive Vice Chairman. The Information Security Management Committee convenes two meetings a year to receive progress reports on major cybersecurity and data security matters, and to review key issues concerning the strategy, planning, organisational structure, and resource assurance for cybersecurity and data security. The Information Security Management Committee has set up a data security team led by the Information Technology Department at the Head Office, responsible for coordinating and promoting the management of data security throughout the Bank.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

ESG Review

The Bank actively embraces ESG philosophy, effectively fulfil corporate social responsibility and continuously creates comprehensive value for customers, employees, shareholders, partners and the society, contributing to the sustainable development of the economy and society.

In 2025, the Bank achieved the social contribution value of RMB15.69 per share[24] (calculated on the Group's statistical calibre), and the total amount of external donations of the Bank was RMB114 million.

[24] Social contribution value per share = basic earnings per share + (taxes paid + employee expenses + interest expenses + total external donations)/total share capital of ordinary shares as at 31 December 2025.

Green Finance

In terms of green credit, during the year ended 31 December 2025, the Bank constantly improved the management systems, as well as incentive and restraint mechanisms of green credit to meet the requirements of the Green Finance Guidelines of regulatory authorities. As of the end of the year ended 31 December 2025, the Bank's green loan balance was RMB609.413 billion, representing an increase of 21.01% as compared with the beginning of 2025, which was 15.53 percentage points higher than the growth rate of the loans extended by the Bank. These green loans were mainly invested in the fields of energy conservation and carbon emission reduction, environmental protection, resource recycling, green and low-carbon transformation of energy, ecological protection, restoration, and utilisation, green upgrade of infrastructure, green services, green trade and green consumption. As at 31 December 2025, the Bank had cumulatively granted RMB1.910 billion of sustainability-linked loans; CMB Financial Leasing, a subsidiary of the Bank, granted loans of RMB64.302 billion in green leasing business, accounting for 59.33% of total loans granted by CMB Financial Leasing, with a closing loan balance in green leasing business amounting to RMB114.808 billion[25P], representing an increase of 23.89% as compared with the beginning of 2025.

In terms of green deposits[26], the Bank not only met the deposit needs of corporate customers, but also helped them closely integrate environmental protection responsibilities with development practices. During the year ended 31 December 2025, the Bank successfully launched green deposit services online through CMB Corporate U-Bank, and conducted in-depth promotion and training on green deposits to promote green deposit acquisition. As at 31 December 2025, the Bank handled a cumulative amount of RMB14.797 billion in green deposits. For the year ended 31 December 2025, CMB Wing Lung Bank, a subsidiary of the Bank, issued corporate green deposits with a maximum issuance size of HKD1.7 billion.

In terms of green bonds, as at 31 December 2025, the balance of proceeds from outstanding RMB denominated green finance bonds of the Bank was RMB5.0 billion, and the balance of proceeds from outstanding overseas U.S.$-denominated green bonds, social responsibility bonds, sustainable development bonds and blue overseas U.S.$-denominated bonds was U.S.$1.4 billion. The funds raised from the domestic and overseas ESG financial bonds of the Bank mainly supported industries such as energy conservation and environmental protection, clean production, clean transportation, marine resources protection, clean energy, green upgrade of infrastructure, etc. For the year ended 31 December 2025, the Bank assisted companies in issuing 56 green bonds, of which the Bank has lead-underwritten a total value of RMB22.059 billion, and the funds raised were mainly invested in the construction and operation of renewable energy facilities, supporting facilities for clean energy vehicles, advanced environmental protection equipment manufacturing, industrial energy-saving transformation, new energy vehicles and green ships, urban environmental infrastructure and other fields. In 2025, CMB International Capital, a subsidiary of the Bank, assisted 36 companies in issuing 43 green bonds, with a fundraising scale of U.S.$14.410 billion, representing an increase of 30.71% as compared with the year ended 31 December 2024.

In terms of green investment, the Bank and its subsidiaries continued to practise the ESG investment philosophy. As at 31 December 2025, the green bonds held by the Bank amounted to RMB30.358 billion. CMB Wealth Management, a subsidiary of the Bank, gave priority to the investment in green bonds. As at 31 December 2025, the balance of investments in green bonds of CMB Wealth Management was RMB24.563 billion. China Merchants Fund, a subsidiary of the Bank, actively promoted ESG products and launched a number of CSI A series index products. As at 31 December 2025, China Merchants Fund had a total of 19 existing ESG-related products, with an existing fund size of RMB21.580 billion. CMB Wing Lung Bank, a subsidiary of the Bank, actively participated in the domestic and overseas green bond investment and trading. As at 31 December 2025, the balance of green bonds held by CMB Wing Lung

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[25] The green leasing business is categorised in accordance with the "Green Finance Endorsed Project Catalogue (2025 Edition)" issued by the People's Bank of China, the National Financial Regulatory Administration and CSRC. The same-calibre adjustment was made to the data at the beginning of 2025.

[26] Green deposit is a green finance product that raises funds for sustainable projects of green economy, helping drive the transition to a low-carbon, climate change-adapted and sustainable economy.

Bank was HKD19.337 billion. CMB International Capital, a subsidiary of the Bank, actively promoted the transformation, upgrading and sustainable development of the green industry. As at 31 December 2025, the balance of green investment held by CMB International Capital was RMB11.610 billion.

In terms of green wealth management, as at 31 December 2025, the Bank had a total of 24 existing ESG-themed wealth management products from its agency distribution, with an existing fund size of RMB8.589 billion. In addition, the Bank had a total of 136 existing funds themed around ESG, green environmental protection, new energy, carbon neutrality and photovoltaic from its agency distribution, with a combined balance of RMB8.597 billion. CMB Wealth Management, a subsidiary of the Bank, actively innovated wealth management products with ESG philosophy. As at 31 December 2025, CMB Wealth Management had a total of 17 existing green finance-related wealth management products, with an existing fund size of RMB14.033 billion.

Green Operation

In terms of green operation, the Bank continued to improve the management system for green operation, deepened carbon emission reduction measures across all scenarios, strengthened internal promotion of green development concept, and simultaneously improved the level of refined management of resources such as energy, paper, water resources and waste in accordance with the green operation work plan, further advancing systematic construction of its green operation in depth.

In terms of carbon management in operations, the Bank further improved its organisational mechanisms, management systems, and assessment frameworks to strengthen the system of carbon management for operations. Centred on the Green Operation Management Committee, the Bank systematically advanced the construction of the Group-wide green operation management system. Four special meetings were convened in 2025 to ensure the efficient implementation of relevant decisions and measures regarding green operation. The Bank improved its institutional system by issuing the "Guidelines for Financial Materiality Analysis of China Merchants Bank's Sustainable Development Topics (《招商銀行可持續議題財務重要性分析指引》)" to standardise the methodology and processes for sustainability disclosure, as well as the "Measures for Evaluation of Green Operation of China Merchants Bank's Domestic Branches (《招商銀行境內分行綠色運營工作評價辦法》)" to establish a green operation evaluation framework at branch level. The Bank upgraded its digital and intelligent management tools by iterating the carbon management system, optimising the entire process of carbon emission data collection, processing, and analysis to provide digital and intelligent support for its green operation. The Bank strengthened its professional capabilities by promoting knowledge accumulation and capacity building in carbon management, while enriching the professional talent pool for carbon management. The Bank improved the assessment and evaluation mechanism by setting "green operation" performance indicators at the Head Office, branches and subsidiaries, and incorporating carbon accounting for operations into the data quality assessment system, so as to drive the implementation of green operation through performance assessment.

In terms of carbon accounting for operations, the Bank organised the entire Group to complete the annual inventory of greenhouse gas emissions at its own operational level. It continued to improve the quality of carbon data for operations by reviewing historical carbon accounting data for operations, sorting out data quality issues, clarifying carbon emission data standards for operations and collection requirements, and launching online training courses on carbon accounting for operations, so as to consolidate the data foundation of carbon accounting for operations and ensure the authenticity, accuracy and completeness of carbon emission data. Relevant data management measures and achievements were disclosed simultaneously.

In terms of carbon emission reduction for operations, the Bank intensified its carbon emission reduction initiatives for operations and released the "Carbon Emission Reduction Toolbox for Green and Low-carbon Operation of China Merchants Bank (《招商銀行綠色低碳運營碳減排工具箱》)" to provide scenario-based and actionable implementation of emission reduction suggestions. The Bank set up specific fund to support the energy-saving retrofit and technology upgrades of infrastructure such as air-conditioning, elevators, and lighting, and established a closed-loop management mechanism for energy-saving projects to regularly evaluate the progress and effectiveness of energy-saving projects of

various institutions. The Bank also continued to advance the replacement of business vehicles with new energy vehicles, successfully achieving the established goal of 85% new energy vehicles in newly purchased business vehicles across the Bank in 2025.

In terms of energy management, the Bank advanced energy-saving and carbon-reduction initiatives across multiple dimensions, implementing a series of measures with notable results. The Bank released the "Action Plan for Green Operation for Office Premises of China Merchants Bank in 2025 (《招商銀行2025年辦公物業綠色運營行動方案》)", to promote high-quality energy consumption reduction. The Bank established a green operation honour system for office premises across the Bank, set evaluation indicators from the dimensions of electricity, water, and renewable energy utilisation, and drove the green operation of the Bank to a new level. The Bank comprehensively collected and analysed electricity consumption data of office buildings and outlets of the Head Office and branches, compiled the "Electricity Consumption Analysis Report of the Bank (《全行電力能耗情況分析報告》)", providing strong support for scientific decision-making in energy management. During the year ended 31 December 2025, energy-saving renovations and management initiatives were implemented at the office premises of the Head Office and branches, resulting in the reduction of 3,755.77 tons of carbon dioxide equivalent. These initiatives included facility upgrades by replacing lights with LEDs, installing smart-sensor lighting and timed power- off sockets, piloting AI-based air conditioning optimisation, and replacing outdated electronic equipment, as well as strengthening management through floor-level energy inspections and promotion of green operation concepts. Furthermore, the Bank phased out high-fuel-consumption vehicles and advocated the "turn off the engine when parked" initiative for business vehicles, reducing fuel consumption by 498,900 litres year-on-year, corresponding to a reduction of 1,084.36 tons of carbon dioxide equivalent. The Bank continued to advance energy conservation and emission reduction in its self-owned data centres. The Pinghu Data Centre in Shenzhen and Zhangjiang Data Centre in Shanghai achieved energy-efficient operations by optimising airflow, environmental parameters, and chilled water systems in computer rooms. As a result, the average Power Usage Effectiveness (PUE) of the Bank's self-owned data centres dropped to 1.42 in 2025, corresponding to a reduction of 3,657.69 tons of carbon dioxide equivalent.

In terms of paper management, the Bank actively promoted paperless officing to reduce the use of paper documents. In terms of electronic seal application, during the year ended 31 December 2025, the electronic seal was used 145 million times, replacing 432 million paper vouchers. In terms of paperless archiving, during the year ended 31 December 2025, the Bank advanced paperless archiving by establishing a digital archives system for the Group, through which 34.3904 million electronic records were archived, replacing 344 million paper vouchers. In terms of paperless business operations, through measures including electronic business agreements, paperless business operation approval and handover, and online electronic bank slips for corporate clients, the Bank achieved 871 million paperless transactions during the year ended 31 December 2025, replacing 1.162 billion paper vouchers. In terms of paperless credit card, all personal credit card products supported paperless application, and credit card customers were encouraged to use electronic bills, thus saving 1.972 billion pieces of paper for paper bills during the year ended 31 December 2025. In terms of paperless procurement, the Bank increased the proportion of the electronification of the whole process of the centralised procurement and decentralised procurement, reducing paper usage by 23.80 million pieces during the year ended 31 December 2025.

In terms of water resources management, the Bank advocated the recycling of wastewater to reduce water resources consumption. By increasing internal publicity efforts and popularising water-saving knowledge, the Bank raised the awareness and sense of responsibility of all employees to save water. The Head Office Tower enhanced the efficiency of building exterior cleaning and watering of green plants and realised intensive use of water resources through water-saving operations such as high-pressure water cannon cleaning and drip irrigation technology, and used air-conditioning condensate for landscape water replenishment after processing.

In terms of waste management, the "Waste Management Procedures" was formulated to achieve the recycling of certain waste materials, thereby realising waste reduction from the source and enhancing economic efficiency. The Bank also introduced the "Implementation Rules for Food Safety Management in Staff Canteen at China Merchants Bank Head Office (《招商銀行總行員工餐廳食品安全管理實施細

則》)", strengthening food safety management while promoting anti-food waste and encouraging employees to develop the habit of "Clean Plate" dinning. During the year ended 31 December 2025, the amount of kitchen waste generated by the Head Office in Shenzhen region recorded a year-on-year decrease of 22.78%.

In terms of green publicity, the Bank continuously carried out green operation publicity using platforms such as the "Employee Service Platform" and "Energy Management Assistant" to achieve internal publicity. During the year ended 31 December 2025, the Bank promoted environmental protection festivals through the "Green Life" column, achieving 101,200 views for its environment-related information. The Bank also launched the "Employee Carbon Account" function, and employees had collectively undertaken 3.4844 million low-carbon emission-reduction actions by the end of the year ended 31 December 2025. Externally, the Bank carried out publicity events on themes such as low-carbon environmental protection, biodiversity protection and sustainable lifestyle promotion on social media via its official account, guiding the public to pay attention to environmental and ecological protection and participate in the recycling of items. During the year ended 31 December 2025, the total exposure of related contents published on the social media via its official account exceeded 14.96 million times.

In terms of green outlets, the Bank continued to promote the modular decoration of outlets, compiled the "Design Standardisation Manual" and the "Management Process Guidance Manual" for modular decoration of outlets, and carried out special training on modular decoration of outlets to improve professional construction capabilities. During the year ended 31 December 2025, the modular decoration construction for 82 outlets was implemented, of which 50 had been completed.

EMPLOYEES

As at 31 December 2025, the Group had a total of 121,585 employees[27] (including dispatched employees).

The classification of the Group's employees by gender is: 51,950 males and 69,635 females, with a relatively balanced gender ratio.

The classification of the Group's employees by profession is: 21,150 employees in corporate finance, 54,176 employees in retail finance, 7,319 employees in risk management, 17,737 employees in operation and operational management, 11,051 employees in research and development, 1,126 employees in administrative and logistics support and 9,026 employees in comprehensive management.

The classification of the Group's employees by educational background is: 33,742 employees with master's degrees and above, 77,101 employees with bachelor's degrees and 10,742 employees with junior college degrees or below.

LEGAL PROCEEDINGS

For the last 12 months prior to the date of this Offering Circular, none of the Bank or any of its subsidiaries had been involved in any material litigation, arbitration or similar proceedings, and the Bank is not aware that any such proceedings are pending or threatened.

[27] Including employees of the Bank, CMB Wing Lung Bank and its subsidiaries, CMB Financial Leasing, CMB International Capital and its subsidiaries, CMB Wealth Management, China Merchants Fund and its subsidiaries, CIGNA & CMAM, CMB Investment, CIGNA & CMB Life Insurance, MUCFC, CMB YunChuang and CMB Network Technology.

FUNDING AND CAPITAL ADEQUACY OF THE BANK

FUNDING

As at 31 December 2025, total deposits from customers of the Group amounted to RMB9,836.130 billion, representing an increase of 8.13% as compared with the end of 2024. Deposits from customers, accounting for 83.43% of the total liabilities of the Group, were the major funding source of the Group.

The following table sets forth, as at the dates indicated, the deposits from customers of the Group by product type and customer type.

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
		(%)		(%)
	(in millions of RMB, except for percentages)			
Corporate customer deposits				
Demand	2,761,092	28.07	2,772,365	30.47
Time	2,579,124	26.22	2,291,188	25.19
Subtotal	**5,340,216**	**54.29**	**5,063,553**	**55.66**
Deposits from retail customers				
Demand	2,234,851	22.72	1,980,251	21.77
Time	2,261,063	22.99	2,052,783	22.57
Subtotal	**4,495,914**	**45.71**	**4,033,034**	**44.34**
Total deposits from customers	**9,836,130**	**100.00**	**9,096,587**	**100.00**

As at 31 December 2025, the demand deposits of the Group accounted for 50.79% of the total deposits from customers, representing a decrease of 1.45 percentage points as compared with 2024. For the year ended 31 December 2025, the percentage of daily average balance of the demand deposits to that of the total deposits from customers of the Group was 49.40%, representing a year-on-year decrease of 0.94 percentage point. Among these, the daily average balance of demand deposits from corporate customers accounted for 50.60% of that of the total deposits from corporate customers, representing a year-on-year decrease of 1.30 percentage points; the daily average balance of demand deposits from retail customers accounted for 47.94% of that of the total deposits from retail customers, representing a year-on-year decrease of 0.38 percentage point. As market expectations had not yet been fully recovered, the liquidity activities of enterprises were still insufficient throughout the year, and customers' investment demand for time deposits remained at a relatively high level, leading to a year-on-year decrease in the proportion of demand deposits. However, the percentage of daily average balance of the demand deposits of the Group increased on a quarter-to-quarter basis in the fourth quarter of 2025.

The following table sets out a breakdown of the Group's customer deposits by remaining maturity for the periods indicated:

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
		(%)		*(%)*
	(in millions of RMB, except for percentages)			
Repayable on demand	4,995,943	50.79	4,752,616	52.25
Within 1 month	767,078	7.80	673,445	7.40
1 to 3 months	961,815	9.78	936,315	10.29
3 months to 1 year	1,718,792	17.47	1,420,661	15.62
1 to 5 years	1,345,525	13.68	1,288,740	14.17
Over 5 years	46,977	0.48	24,810	0.27
Total	**9,836,130**	**100.00**	**9,096,587**	**100.00**

CAPITAL ADEQUACY

The Bank kept on optimising its business structure and strengthening capital management.

For the year ended 31 December 2025, the Bank steadily advanced the optimisation and adjustment of its business structure and operating strategies under the guidance of the Rules on Capital Management of Commercial Banks. The Bank continued to strengthen the refined management of capital and optimise its capital structure. The Bank's capital adequacy ratio at all levels, leverage ratio and other key operating indicators were maintained at a relatively outstanding level, which met various capital requirements and additional regulatory requirements of the regulatory authorities of the finance industry with sufficient capital buffer.

The Bank continuously advances its asset securitisation business. For the year ended 31 December 2025, the Bank issued 12 asset securitisation projects through the inter-bank market with a total scale of RMB3.522 billion. As at 31 December 2025, the common equity Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Group under the Advanced Measurement Approach were 14.16%, 16.51% and 18.24% respectively, representing a decrease of 0.70, 0.97 and 0.81 percentage point respectively, as compared with the end of 2024. Despite steady growth in risk-weighted assets, the capital adequacy ratios at all tiers declined due to the decrease in interim dividends and other comprehensive income in 2025.

The following table sets forth certain information about the Group's Tier 1 capital and risk-weighted assets, as well as the Group's capital adequacy ratios for the periods indicated.

	As at 31 December	
	2025	**2024**
	(in millions of RMB, except for percentages)	
The Group		
Capital adequacy ratios under the Advanced Measurement Approach[(1)]		
Net common equity Tier 1 capital	1,067,560	1,023,048
Net Tier 1 capital	1,245,017	1,203,494
Net capital	1,375,031	1,311,742
Risk-weighted assets (without taking into consideration the capital floor requirements)	7,540,202	6,885,783
Of which: Credit risk weighted assets	6,524,376	5,973,261
Market risk weighted assets	317,856	196,760
Operational risk weighted assets	697,970	715,762
Risk-weighted assets (taking into consideration the capital floor requirements)	7,540,202	6,885,783
Common equity Tier 1 capital adequacy ratio	14.16%	14.86%
Tier 1 capital adequacy ratio	16.51%	17.48%
Capital adequacy ratio	**18.24%**	**19.05%**
Information on leverage ratio[(2)]		
Balance of adjusted on- and off-balance sheet assets	15,555,866	14,218,773
Leverage ratio	8.00%	8.46%

(1) The "Advanced Measurement Approach" refers to the Internal Ratings-Based (IRB) Approach for credit risk, the Standardised Approach for market risk and the Standardised Approach for operational risk set out in the "Rules on Capital Management of Commercial Banks" (hereinafter referred to as the "Rules on Capital Management") issued by the National Financial Regulatory Administration (NFRA) on 1 November 2023 (same as below). A commercial bank shall use both the Advanced Measurement Approach for capital measurement and other approaches to calculate capital adequacy ratios, and comply with the capital floor requirements.

(2) Since 2024, the leverage ratio shall be calculated based on the provisions of the Rules on Capital Management (leverage ratio = net Tier 1 capital/balance of adjusted on- and off-balance sheet assets). The leverage ratios of the Group were 8.22%, 8.48% and 8.35% respectively as at the end of the third quarter of 2025, the end of the half year of 2025 and the end of the first quarter of 2025.

As at 31 December 2025, the common equity Tier 1 capital adequacy ratio, the Tier 1 capital adequacy ratio and the capital adequacy ratio of the Bank under the Advanced Measurement Approach were 13.74%, 16.15% and 17.95% respectively, representing a decrease of 1.10, 1.38 and 1.22 percentage points respectively, as compared with the end of 2024. The following table sets forth certain information about the Bank's Tier 1 capital and risk-weighted assets, as well as the Bank's capital adequacy ratios for the periods indicated.

	As at 31 December	
	2025	**2024**
	(in millions of RMB, except for percentages)	
The Bank		
Capital adequacy ratios under the Advanced Measurement Approach		
Net common equity Tier 1 capital	934,780	914,275
Net Tier 1 capital	1,098,660	1,080,144
Net capital	1,220,932	1,180,786
Risk weighted assets (without taking into consideration the capital floor requirements)	6,801,840	6,160,977
Of which: Credit risk weighted assets	5,894,854	5,321,453
Market risk weighted assets	262,932	179,157
Operational risk weighted assets	644,054	660,367
Risk weighted assets (taking into consideration the capital floor requirements)	6,801,840	6,160,977
Common equity Tier 1 capital adequacy ratio	13.74%	14.84%
Tier 1 capital adequacy ratio	16.15%	17.53%
Capital adequacy ratio	**17.95%**	**19.17%**

RISK MANAGEMENT OF THE BANK

OVERVIEW

The Bank closely focused on the strategy of building a value creation bank, adhered to a solid and prudent risk culture, strengthened risk appetite management and conveyance, continued to consolidate a fortress-style risk compliance management system, and firmly upheld the bottom line of preventing systemic risks. The Risk and Compliance Management Committee of the Head Office is responsible for reviewing and determining significant bank-wide risk management issues under the framework of strategies, policies, risk appetite and authorisations approved by the Board of Directors.

For the year ended 31 December 2025, the Bank adhered to the principle that "stabilising quality is stabilising the foundation", strengthened capacity building, comprehensively improved risk management and increased support for the real economy. Additionally, the Bank worked to prevent and mitigate risks in key areas, accelerated the digital and intelligent transformation of risk management, and maintained the overall stability of various risk indicators.

Credit risk management

Credit risk refers to the risk arising from a bank's borrowers or counterparties failing to perform their obligations as agreed. In its operations, while closely upholding the national policy guidance and regulatory principles, the Bank consistently adhered to a solid and prudent risk culture, dynamically improved relevant risk management policies, continuously enhanced credit risk quantification capabilities, strengthened the performance of duties by key personnel, and improved forward-looking management of credit risk, so as to prevent and reduce credit risk loss.

For the year ended 31 December 2025, the Bank actively responded to the changes in the risk situation, effectively improved risk management quality and efficiency, and maintained overall stability of asset quality. With regard to corporate loans, the Bank mainly took the following measures to enhance credit risk management. Firstly, the Bank optimised credit policies and credit granting strategies in a timely manner. Guided by the asset allocation, the Bank strengthened the forward-looking assessment of industry development trends, increased the intensity of asset origination by branches in key regions, tapped into the potential of "expanding coverage and increasing volume" for medium-sized credit customers, improved medium- and long-term asset origination strategies, continued to promote "one branch, one policy" list-based client management for asset business, and optimised asset allocation across dimensions such as industries, regions, and customer groups. Secondly, the Bank prioritised the prevention and mitigation of risks in key areas. Focusing on accelerating the construction of a new model for real estate development, actively and orderly resolving local debt risks, and proactively preventing risks associated with the transition between old and new economic growth drivers and relevant areas involving the impact of "anti-involution", the Bank strictly implemented the latest national and regulatory policies, strengthened early warning, screening and monitoring, dynamically assessed risk changes, and proactively responded to and resolved risks. Thirdly, the Bank continuously optimised the credit process. The Bank enhanced centralised credit management for group client members, improved the work paradigm of investigation, review and approval processes, standardised the performance standards and requirements for process nodes and roles, strengthened the monitoring of due diligence and quality review as well as the evaluation of duty performance, enhanced the management standard of credit extension compliance and financial solution suitability, and improved the whole-process control of risk monitoring, early warning, classification, disposal, etc. Fourthly, the Bank further promoted the efficiency of the recovery and disposal of existing non-performing assets. The Bank focused on key areas, improved the division of labour and cooperation mechanism in asset preservation across the Bank, and comprehensively made use of a variety of effective methods to exert every effort in enhancing the level of cash recovery, so as to achieve high-quality risk resolution and disposal. Fifthly, the Bank steadily promoted the digital and intelligent transformation in risk management. The Bank focused on "high-frequency, critical, and advantageous" scenarios in risk management, accelerated the construction of intelligent agents for positions such as relationship managers, risk managers, and credit officers, continuously improved the intelligent assistants namely, "Risk Assistant (風險小助)" and "Compliance Assistant (合規小助)" and AI toolsets, and continued to enrich the Group Risk-management System (GRS) ecosystem.

Management of large-scale risk exposure

In accordance with provisions of the Rules on Large Exposure of Commercial Banks 《(商業銀行大額風險暴露管理辦法》), large exposure refers to the risk exposure (including risk exposures in the banking book and trading book) to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its net Tier 1 capital. For the year ended 31 December 2025, the Bank has incorporated large exposure management into its overall risk management system, continued to improve customer credit management requirements, continued to optimise risk exposure measurement rules, increased Fintech support for data collection on large exposure, and reported regularly on large exposure indicators and related management to regulatory authorities, so as to effectively control customer concentration risks. As at 31 December 2025, other than customers with regulatory exemption, single non-financial institution customers, group non-financial institution customers, single financial institution customers and group financial institution customers of the Bank that reached the standards of large exposure were all in compliance with the regulatory requirements.

Country risk management

Country risks represent the risks of political, economic, social changes and incidents in a country or region that may cause debtors in that country or region to be unable or unwilling to fulfil their obligations to banks, or incur losses to commercial presences of the Bank in that country or region, or other losses to the Bank in that country or region.

The Bank strictly implemented relevant regulatory requirements and followed the principles of soundness and prudence, established a country risk management system compatible with strategic objectives, risk profile and complexity, and incorporated country risk management into its overall risk management system so as to promptly identify, measure, evaluate, monitor, report, control and mitigate country risks, assess the country risk in a regular manner and implement limit management, while steering business towards relatively-low-risk countries or regions.

For the year ended 31 December 2025, in the face of the complex and volatile international political and economic situation, the Bank continued to pay attention to the changes in the situation of key countries or regions in the world, evaluated and updated the country risk ratings according to the risk changes, tightened the limit control of country risk and strictly restricted the growth of business in high-risk countries or regions. As at 31 December 2025, the Bank's country risk exposure was mainly concentrated in relatively-low-risk countries or regions. The country risk would not have a significant impact on the Bank's business operation.

Market risk management

The Bank's market risk arises from trading book and banking book, and the interest rate risk and exchange rate risk are the major market risks faced by the Bank.

Interest rate risk management

- *Trading book*

  The Bank uses volume indicators, market risk value indicators (VaR, covering interest rate risk factors of various currencies and durations relating to trading book business), interest rate stress testing loss indicators, interest rate sensitivity indicators and accumulative loss indicators and other risk indicators, to measure, monitor and manage the interest rate risk of trading book. The interest rate risk factors used for risk measurement cover all businesses under the trading book, and are comprised of around 200 interest rate indicators or bond yield curves. VaR is calculated using historical simulation based on a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. The interest rate stress testing scenarios include the upward parallel move, upward steep move and twisted change of interest rates at various degrees and various unfavourable market scenarios designed based on the characteristics of investment portfolios.

Among them, the extreme interest rate scenario may move up by 300 basis points and cover the extremely unfavourable conditions of the market. Major interest rate sensibility indicator reflects the duration of bonds and PV01 of bonds and interest rate derivatives (the change in the market value when an interest rate fluctuates unfavourably by 1 basis point). As for routine risk management, the annual scope of authorisation and the market risk limits for the interest rate risk businesses under the trading book are set in accordance with the risk appetite, business planning and risk prediction of the Board of Directors at the beginning of the year for which the Market Risk Management Department is responsible for routine monitoring and continuous reporting.

- For the year ended 31 December 2025, China's economy maintained a good momentum of steady progress, characterised by sustained growth in aggregate volume and steady improvement in quality. RMB bond interest rates exhibited an overall upward trend, with the yield on China 10-year government bonds rising from 1.68% to 1.85%. The global economy continued its trend of moderate growth. However, monetary policies among global central banks diverged significantly, and trade protectionist tendencies intensified, resulting in a complex and volatile external environment. The scope of investment in the Bank's trading book mainly covered RMB bonds. The Bank generally adopted a prudent trading strategy and prudent risk control measures to ensure that all interest rate risk indicators of the trading book remained within the target range.

Banking book

- In accordance with external regulatory requirements and internal banking book interest rate risk management policies, the Bank has established and continuously improved the banking book interest rate risk management system, clarified the interest rate risk governance structure and established the management process of interest rate risk identification, measurement, monitoring, control and reporting. The Bank mainly adopts the re-pricing gap analysis, duration analysis, interest rate benchmark-correlated analysis, scenario simulation and other methods to regularly measure and analyse the interest rate risk of the banking book. The re-pricing gap analysis mainly monitors the distribution of re-pricing duration and mismatch of assets and liabilities; the duration analysis monitors the duration of major product types and the change in the duration gap of assets and liabilities of the Bank as a whole; the benchmark-correlated analysis assesses the benchmark risk existing between different pricing benchmark interest rate curves, as well as between the different duration points on each of such curves based on the benchmark-correlated coefficients calculated using our internal models; the scenario simulation is the major approach for the Bank to conduct interest rate risk analysis and measurement, which comprises a number of ordinary scenarios and stress scenarios, including the interest rate benchmark impact, the parallel move and the change in the shape of yield curves, the extreme changes in interest rates in history, and the most possible changes in interest rates in the future as predicted by experts and other scenarios. The changes in net interest income (NII) and economic value of equity (EVE) are calculated through simulation of the scenario of changes in interest rates. The NII changes and the EVE changes of certain scenarios are included into the interest rate risk limit indicator system of the Bank. In addition, the internal limit indicator system has included the standardised measurement indicators set out in the Guidelines on the Management of Interest Rate Risk of Banking Book of Commercial Banks (Revised).

- For the year ended 31 December 2025, with adherence to a sound and prudent interest rate risk preference, the Bank paid close attention to changes in the external environment and internal interest rate risk exposure structure, and continued to monitor and analyse various interest rate risks, especially the gap risk as a result of asset and liability re-pricing mismatch, benchmark risk arising from inconsistent changes in the pricing benchmarks of products, and optionality risk due to the prepayment of loans triggered by changes in external interest rates. The Bank predicted and analysed interest rate trends based on macro-quantitative models and experts' research and judgement, prospectively deployed active interest rate risk management strategies and adjusted them flexibly considering the trend of risk exposure changes. The Bank adjusted the structure of assets and liabilities on the balance sheet and hedged interest rate derivatives off the balance sheet to manage risks. As at 31 December 2025, the Bank's on- and off-balance-sheet management measures were carried out as planned, the interest rate risk level was controlled within the interest rate risk control target range of the year, and various indicators including the stress test results were kept within the limits and warning values. The banking book interest rate risk was generally stable.

Exchange rate risk management

- *Trading book*

  The Bank uses risk exposure indicator, market risk value indicator (VaR, covering foreign exchange rate risk factors of various currencies related to transactions on the trading book), the exchange loss indicator under stress test, option-sensitive indicator and accumulated loss indicator and other risk indicators to conduct risk measurement and monitoring management. As for risk measurement, the selected exchange rate risk factor is applied on spot prices, forward prices and volatilities in all transaction currencies under the trading book. Market risk value is calculated using historical simulation based on a confidence coefficient of 99%, an observation period of 250 days and a holding period of 10 days. Exchange rate stress test scenarios cover 5%, 10%, 15% or more adverse changes in every transaction currency against RMB, and changed volatility of foreign exchange options. Major option-sensitive indicators include Delta, Gamma, Vega and other indicators. For routine management, the Bank set annual limits on authorisation associated with exchange rate risks under the trading book and relevant market exposure at the beginning of the year according to the risk appetite, business planning and risk forecast of the Board of Directors, and delegated the Market Risk Management Department to perform routine monitoring and ongoing reporting.

- For the year ended 31 December 2025, the appeal of RMB-denominated assets recovered steadily, and foreign exchange reserves remained at a reasonable and sufficient level. As at the end of 2025, the exchange rate of U.S. dollar against RMB has fallen from 7.19 to 7.03. Influenced by factors such as the U.S. interest rate cut policies and tariff adjustments, the U.S. dollar depreciated against most major currencies, with the U.S. dollar index retreating from 108.48 to 98.27. The Bank's trading book mainly obtained the spread income through the foreign exchange client flow trading, and implemented rigorous internal control and management through a well-established and efficient management system, and closely monitored changes of limit indicators such as sensitivity index and stop loss indicator. All exchange rate risk indicators of the Bank's trading book were within the target range as at 31 December 2025.

Banking book

- The Bank mainly uses foreign exchange exposure analysis, scenario simulation analysis, stress test, and other methods for measurement and analysis of exchange rate risk of its banking book. The foreign exchange exposure measurement uses the short-sided method, the correlation approach and the aggregation approach; scenario simulation and stress test analysis are two important exchange rate risk management tools of the Bank for managing foreign exchange rate risk, covering the standard scenario, historical scenario, forward scenario and stress scenario, which include scenarios such as spot and forward exchange rate fluctuations and historical extreme exchange rate fluctuations of various currencies. Each scenario could simulate the impact on the Bank's profit or loss. The effects of certain scenario simulation on the profit and loss as a share of net capital are taken as reference in the routine management as a limit indicator. The Bank conducts back-testing and assessment on relevant model parameters on a regular basis to verify the effectiveness of measurement models.

- The Bank regularly measures and analyses foreign exchange exposure of banking book and scenario simulation results, monitors and reports exchange rate risk on a monthly basis under its quota limit framework, and adjusts its foreign exchange exposure accordingly based on the trend of foreign exchange movements, so as to avoid the relevant foreign exchange risk of banking book.

- For the year ended 31 December 2025, the Bank paid close attention to exchange rate movements, studied and analysed the impact of exchange rate changes in light of the macroeconomic conditions at home and abroad, and proposed a balance sheet optimisation program as a scientific reference for the management's decision-making. For the year ended 31 December 2025, the Bank increased its efforts to monitor and analyse foreign exchange exposure and imposed a stringent control over the scale of foreign exchange risk exposure. The Bank was prudent about the exchange rate risk. As at 31 December 2025, the scale of foreign exchange exposure of the Bank's banking book was at a relatively low level. The exchange rate risk of the Bank was generally stable with all the core limit indicators, general scenarios and stress testing results satisfying the regulatory limit requirement.

Operational risk management

Operational risk refers to the risk of loss arising from problematic internal procedures, incompetent personnel or IT systems, or external events, including legal risk but not strategy risk and reputational risk. In view of the various aspects and a wide range of operational risks, the Bank's operational risk management is based on the management principles of prudence, comprehensiveness, compatibility and effectiveness. The Bank strengthened the establishment of operational risk management system, implemented internal control system, continued to carry out various businesses steadily and reduced or prevented losses from operational risk. In the process of operational risk management, within the risk limits set by the Board of Directors, the Bank, through measures such as improving the risk management mechanism, strengthening risk prevention and control in key areas, conducting in-depth risk monitoring and pre-warning, improving assessment and evaluation mechanism, and cultivating operational risk prevention and control culture, further improved operational risk management capabilities and effectiveness, and prevented and reduced operational risk losses.

For the year ended 31 December 2025, aiming at preventing losses arising from systemic operational risk and major operational risk, the Bank continued to improve its operational risk management system. Firstly, the Bank aligned with regulatory requirements to further strengthen the management mechanism of operational risk event and loss. The Bank established rules for handling expected losses from operational risk events and strengthened the construction of the operational risk management system at the Group level. Secondly, the Bank focused on risk control in key business areas, conducted reviews of operational risk management priorities, and selected institutions to conduct operational risk monitoring and assessment. Thirdly, the Bank focused on network security and data security by strengthening emergency management and risk response capabilities, thereby improving system operational resilience. Fourthly, the Bank strengthened outsourcing risk management by organising the Head Office and branches to conduct post-assessments of outsourcing projects. Fifthly, the Bank further improved management on business continuity and intensified business continuity drills. Sixthly, the Bank enriched system functions and upgraded the user service experience to enhance digital management capabilities.

Liquidity risk management

Liquidity risk refers to the risk that the Bank is unable to obtain sufficient funds at a reasonable cost in a timely manner to grow its assets, pay maturing debts and perform other payment obligations. The liquidity risk management of the Bank is based on the principles of prudence, foresight and comprehensiveness, which is appropriate for the current development stage of the Bank. The current liquidity risk management policies and systems of the Bank have satisfied the regulatory requirements and its own management needs.

Based on the principle of separating policy-making, strategy implementation and supervision of liquidity risk management, the Bank has established a liquidity risk management governance structure under which the roles, responsibilities and reporting lines of the Board of Directors, senior management, special committees and relevant departments are clarified to ensure the effectiveness of liquidity risk management.

For the year ended 31 December 2025, based on the analysis of macroeconomic and market trends, the Bank dynamically quantified and forecasted the future risk situation, and proactively arranged the asset-liability management strategy to achieve the balance between risk and yield. Firstly, the Bank constantly optimised the asset-liability structure, promoted the steady growth of customer deposits, and enhanced the origination and support of assets, maintaining stable operation of assets and liabilities. Secondly, the Bank strengthened forward-looking forecasts of liquidity risk, flexibly carried out active liability management of treasury based on the operation of major businesses and indicators and in line with market trends, expanded diversified financing channels, and stabilised the sources of long-term liabilities through bond issuance and other means. Thirdly, the Bank strengthened liquidity risk monitoring and management for business lines, overseas branches and subsidiaries with reasonable control of maturity mismatches. Fourthly, the Bank continued to carry out liquidity stress testing and contingency simulation drills, implemented liquidity emergency management, and effectively improved the ability to respond to liquidity risk events.

As at 31 December 2025, all liquidity indicators of the Bank met the regulatory requirements and the Bank had sufficient funding sources to meet the needs of sustainable and healthy development of its business. In accordance with the requirements of the PBOC, the Bank's statutory reserve requirement ratio for RMB deposit was 5.5%, and the statutory reserve requirement ratio for foreign exchange deposit was 4%. The Bank's liquidity indicators operated well. Deposits maintained steady growth. Liquidity reserves were sufficient and overall liquidity was at a safe level.

Reputational Risk Management

Reputational risk refers to the risk that the Bank might be negatively evaluated by relevant stakeholders, the public and the media due to behaviours of the Bank, its employees or external incidents, which is detrimental to the brand value and normal operation of the Bank, or, to the extent, affects the market and social stability. Reputational risk management is an important part of the corporate governance and the overall risk management system of the Bank, covering all activities, operations and businesses undertaken by the Bank and its subsidiaries. The Bank has established and formulated the reputational risk management rules and system, taking the initiatives to effectively prevent the reputational risk and coping with any incidents in relation to reputation, so as to reduce loss and negative impact to the greatest extent.

For the year ended 31 December 2025, the Bank strictly fulfilled the relevant requirements of the "Rules on Reputational Risk Management of Banking and Insurance Institutions (Provisional)", revised and refined the reputational risk management system while adhering to the management principles of forward-looking, compatibility, full-coverage, effectiveness, and subjectivity. The Bank continued to optimise the reputational risk management mechanism and deepened management of the entire process. Specifically, the Bank established a preassessment mechanism, conducted regular inspections and strengthened prevention and governance at the source. The Bank launched a public opinion incidents management system, optimised its monitoring and identification mechanism, and ensured that the reputational risk incidents are properly dealt with. The Bank emphasised on addressing both symptoms and root causes. In addition to properly handling of public opinion incidents, the Bank also investigated the causes thereof, pushing for improvements in operation management and services. The Bank strengthened contingency simulation drills for public opinion incidents and training to foster a sound and prudent reputation risk culture. The Bank conducted positive publicity campaigns to effectively safeguard the brand image.

Compliance Risk Management

Compliance risk refers to the possibility that financial institutions or their employees will bear criminal, administrative, or civil legal liabilities, property losses, reputational losses, or other negative impacts due to violations of compliance regulations with respect to financial institutions' operating and management behaviours or employee performance behaviours. The Bank set up three lines of defence for compliance management comprising business lines, compliance management department and auditing department through the establishment of a management structure comprising the Risk and Capital Management Committee under the Board of Directors, the Risk and Compliance Management Committee, heads of compliance, compliance officers as well as compliance supervisors of the Head Office and its branches, thereby forming a compliance management organisational system with well-developed organisation, clearly defined rights and responsibilities, reasonable work allocation and mutual coordination and collaboration. Meanwhile, through system management, legal compliance reviews, compliance risk assessment and monitoring, construction of compliance culture, management of employee behaviour and system building, the Bank continuously improved compliance risk management techniques and optimised management procedures and established a complete and effective compliance risk management system to achieve effective control of compliance risks.

For the year ended 31 December 2025, in the face of the severe and complex domestic and international environment, risks and challenges, the Bank took active coping measures and continued to consolidate its internal control and compliance management system through various measures. The first was to optimise the system for internalising external regulations, strengthen the interpretation and conveyance of the new regulatory requirements, and promote the implementation of the new regulatory requirements such as the

"Measures for the Compliance Management of Financial Institutions" in the Bank. The second was to implement strict legal compliance review requirements, effectively identify, evaluate and prevent the legal compliance risks of new products, new businesses and major projects. The third was to organise diversified compliance culture publicity events such as "2025 Compliance Performance Year", "Legal Compliance Forum" and "Retail Banking Laws & Compliance", and continuously reinforce employee behaviour management. The fourth was to tighten up supervision, inspection, and problem rectification management, and improve the quality and efficiency of inspection and rectification work. The fifth was to actively deepen the digital and intelligent construction in internal control and compliance to ensure the high-quality development of the Bank.

Money Laundering Risk Management

Money laundering risk refers to the risk that the Bank may be exposed to because of being used by the three types of activities, namely "money laundering", "terrorist financing" and "proliferation financing" in the course of conducting business and managing operations. The Bank has established a relatively sound money laundering risk management mechanism, including a money laundering risk management structure with clear responsibilities assumed by the Board of Directors and its Audit Committee, senior management, functional departments, branches and subsidiaries, an anti-money laundering system with comprehensive coverage, an well-functioning and effective risk assessment and dynamic monitoring mechanism, scientific and reasonable anti-money laundering data governance mechanism, targeted management strategy of customers and businesses associated with high risks, advanced and efficient IT system support, independent inspection and auditing mechanism, as well as continuous anti-money laundering training and promotion mechanism, so as to provide compliance guarantee for the Bank's stable operations.

For the year ended 31 December 2025, the Bank proactively fulfilled its anti-money laundering obligations and constantly improved the quality and efficiency of its money laundering risk management. The Bank strengthened the promotion and training on the new Anti-Money Laundering Law and ensured its high-standard implementation. The Bank organised training sessions on the new law covering all levels – including the Board of Directors, senior management, business departments, and new employees – through various channels. The Bank also conducted gap analysis against the new law to systematically drive the execution of its requirements. The Bank continuously optimised suspicious transaction monitoring rules and explored the application of new technologies such as large language model, thereby constantly enhancing the quality, efficiency, and social value of suspicious transaction monitoring and analysis. The Bank refined the anti-money laundering customer due diligence system, promoted the establishment of continuous in-progress due diligence mechanisms for key businesses, and optimised due diligence workflows. In addition, various measures were adopted to strengthen the support of the anti-money laundering KYC platform (customer due diligence platform). The Bank accelerated the digital and intelligent transformation of the anti-money laundering systems. The Bank continued to drive the centralised development, standardisation of services, standardisation of data calibres, and intelligent application of data across the anti-money laundering systems of all Group members.

ASSETS AND LIABILITIES

The following discussions and analysis should be read in conjunction with the Group's audited consolidated financial statements as at and for the years ended 31 December 2024 and 2025, which are included elsewhere in this Offering Circular. Such consolidated financial statements have been prepared in accordance with IFRSs. Unless otherwise stated, all financial data discussed in this section are consolidated financial data.

In this section, unless otherwise specified, loans and advances to customers or loans to customers represent total loans and advances to customers before deduction of allowance for impairment losses on loans, rather than net loans and advances to customers.

ASSETS

As at 31 December 2025, the total assets of the Group amounted to RMB13,070.523 billion, representing an increase of 7.56% as compared with the end of 2024, which was mainly attributable to the increase in loans and advances to customers and bond investments of the Group.

The following table sets forth, as at the dates indicated, the components of the total assets of the Group.

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
		(%)		(%)
	(in millions of RMB, except for percentages)			
Total loans and advances to customers	7,258,058	55.53	6,888,315	56.68
Allowances for impairment losses on loans[(1)]	(262,973)	(2.01)	(265,365)	(2.18)
Net loans and advances to customers	6,995,085	53.52	6,622,950	54.50
Investment securities and other financial assets	4,152,347	31.77	3,705,919	30.50
Cash, precious metals and balances with the central bank	613,444	4.69	583,202	4.80
Inter-bank transactions	961,921	7.36	896,707	7.38
Goodwill	9,954	0.08	9,954	0.08
Other assets[(2)]	337,772	2.58	333,304	2.74
Total assets	**13,070,523**	**100.00**	**12,152,036**	**100.00**

(1) The allowances for impairment losses on loans represent the allowance for impairment losses on loans and advances to customers measured at amortised cost.

(2) "Other assets" include fixed assets, right-of-use assets, intangible assets, investment properties, deferred tax assets, accrued interest and other assets.

Loans and advances to customers

As at 31 December 2025, total loans and advances to customers of the Group amounted to RMB7,258.058 billion, representing an increase of 5.37% as compared with the end of 2024; total loans and advances to customers accounted for 55.53% of the total assets, representing a decrease of 1.15 percentage points as compared with the end of 2024.

Distribution of loans by product type

The following table sets forth, as at the dates indicated, the loans and advances to customers of the Group by product type.

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
		(%)		*(%)*
	(in millions of RMB, except for percentages)			
Corporate loans	3,215,750	44.31	2,863,740	41.57
Retail loans	3,720,191	51.26	3,644,625	52.91
Discounted bills	322,117	4.43	379,950	5.52
Total loans and advances to customers	**7,258,058**	**100.00**	**6,888,315**	**100.00**

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
		(%)		*(%)*
	(in millions of RMB, except for percentages)			
Corporate loans	3,215,750	44.31	2,863,740	41.57
Working capital loans	1,380,707	19.02	1,178,412	17.11
Fixed asset loans	888,193	12.24	852,115	12.37
Trade finance	499,761	6.89	430,268	6.25
Others[(2)]	447,089	6.16	402,945	5.84
Discounted bills[(3)]	322,117	4.43	379,950	5.52
Retail loans	3,720,191	51.26	3,644,625	52.91
Micro-finance loans	875,696	12.07	825,443	11.98
Residential mortgage loans	1,425,236	19.64	1,417,450	20.58
Credit card loans	939,115	12.94	947,843	13.76
Consumer loans	426,653	5.88	396,161	5.75
Other[(4)]	53,491	0.73	57,728	0.84
Total loans and advances to customers	**7,258,058**	**100.00**	**6,888,315**	**100.00**

Distribution of non-performing loans by product type

	As at 31 December			
	2025		2024	
	Amount	NPL ratio[1]	Amount	NPL ratio[1]
		(%)		*(%)*
	(in millions of RMB, except for percentages)			
Corporate loans	28,622	0.89	30,475	1.06
Working capital loans	7,522	0.54	9,900	0.84
Fixed asset loans	13,820	1.56	13,820	1.62
Trade finance	188	0.04	167	0.04
Others[2]	7,092	1.59	6,588	1.63
Discounted bills[3]	–	–	–	–
Retail loans	39,584	1.06	35,135	0.96
Micro-finance loans	10,663	1.22	6,538	0.79
Residential mortgage loans	7,231	0.51	6,840	0.48
Credit card loans	16,373	1.74	16,560	1.75
Consumer loans	4,349	1.02	4,116	1.04
Other[4]	968	1.81	1,081	1.87
Total	**68,206**	**0.94**	**65,610**	**0.95**

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of other corporate loans such as financial leasing, M&A loans and corporate mortgage loans.

(3) The Bank will transfer discounted bills to corporate loans for accounting purposes once overdue.

(4) Consists primarily of commercial housing loans, automobile loans and other personal loans.

As at 31 December 2025, the balance of the Group's corporate loans amounted to RMB3,215.750 billion, representing an increase of 12.29% as compared to the end of 2024. As at the end of 2025, the amount of non-performing corporate loans reached RMB28.622 billion, representing a decrease of RMB1.853 billion as compared with the end of 2024; and the non-performing loan ratio of corporate loans was 0.89%, down by 0.17 percentage point as compared to the end of 2024.

As at 31 December 2025, the balance of the Group's retail loans amounted to RMB3,720.191 billion, representing an increase of 2.07% as compared to the end of 2024. As at 31 December 2025, the balance of non-performing retail loans of the Group amounted to RMB39.584 billion, representing an increase of RMB4.449 billion as compared with the end of 2024. The non-performing ratio of retail loans was 1.06%, representing an increase of 0.10 percentage point as compared to the end of 2024.

Distribution of non-performing loans by industry

	As at 31 December			
	2025		2024	
	Amount	NPL ratio[1]	Amount	NPL ratio[1]
		(%)		(%)
	(in millions of RMB, except for percentages)			
Corporate loans	28,622	0.89	30,475	1.06
Manufacturing	3,260	0.43	3,250	0.49
Transportation, storage and postal services	1,063	0.19	1,191	0.22
Production and supply of electric power, heat, gas and water	851	0.21	405	0.12
Property development	14,993	4.78	15,728	4.94
Wholesale and retail	1,819	0.65	2,436	1.07
Leasing and commercial services	333	0.13	788	0.41
Information transmission, software and IT service	447	0.25	542	0.40
Finance	695	0.48	369	0.26
Construction	1,394	1.26	1,371	1.27
Mining	94	0.14	550	1.06
Water conservancy, environment and public utilities	119	0.33	152	0.40
Others[2]	3,554	3.43	3,693	3.89
Discounted bills	–	–	–	–
Retail loans	39,584	1.06	35,135	0.96
Total loans and advances to customers	**68,206**	**0.94**	**65,610**	**0.95**

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) Consists primarily of agriculture, forestry, animal husbandry, fishery, accommodation and catering, health and social work, etc.

As at 31 December 2025, the balance of the Group's loans extended to the manufacturing industry amounted to RMB753.412 billion, representing an increase of 12.51% as compared with the end of 2024, and accounting for 10.38% of the total loans and advances to customers, with the proportion up by 0.66 percentage point as compared with the end of 2024.

Distribution of non-performing loans by region

	As at 31 December			
	2025		2024	
	Amount	NPL ratio[1]	Amount	NPL ratio[1]
		(%)		(%)
	(in millions of RMB, except for percentages)			
Head Office[2]	18,085	1.87	18,137	1.85
Yangtze River Delta	14,337	0.87	13,717	0.89
Bohai Rim	5,260	0.48	5,918	0.59
Pearl River Delta and Western Taiwan Straits Economic Zone	12,994	0.96	9,413	0.75
North-eastern China	1,907	1.10	3,002	1.73
Central China	5,645	0.74	5,606	0.76
Western China	4,829	0.61	4,972	0.66
Overseas	923	0.95	352	0.43
Subsidiaries	4,226	1.16	4,493	1.26
Total	**68,206**	**0.94**	**65,610**	**0.95**

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

(2) The Head Office includes Credit Card Centre.

For the year ended 31 December 2025, in response to the national strategies of coordinated regional development and to support the construction of key economic zones, the Group proactively carried out research on regional credit policies, implemented differentiated regional operation strategies and accelerated development of its branches in key regions by aligning with the trend of the industrial cluster development, thereby continuously optimising its regional layout.

Distribution of non-performing loans by type of guarantees

	As at 31 December			
	2025		2024	
	Amount	NPL ratio[1]	Amount	NPL ratio[1]
		(%)		(%)
	(in millions of RMB, except for percentages)			
Credit loans	30,029	1.01	26,942	0.96
Guaranteed loans	14,665	1.46	17,154	1.97
Collateralised loans	20,264	0.82	17,987	0.76
Pledged loans	3,248	0.67	3,527	0.78
Total	**68,206**	**0.94**	**65,610**	**0.95**

(1) Represents the percentage of the non-performing loans in a certain category to the total loans of that category.

As at 31 December 2025, the Group's credit loans, guaranteed loans, collateralised loans and pledged loans increased by 6.43%, 15.44%, 3.41% and 6.90% respectively, as compared with the end of 2024.

LIABILITIES

As at 31 December 2025, the total liabilities of the Group amounted to RMB11,789.624 billion, representing an increase of 7.98% as compared with the end of 2024, which was primarily attributable to the steady growth of customer deposits.

The following table sets forth, as at the dates indicated, the components of the total liabilities of the Group.

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
		(%)		*(%)*
	(in millions of RMB, except for percentages)			
Deposits from customers	9,836,130	83.43	9,096,587	83.31
Inter-bank transactions	1,255,385	10.65	1,017,506	9.32
Borrowings from the central bank	110,679	0.94	189,511	1.74
Financial liabilities at fair value through profit or loss and derivative financial liabilities	139,151	1.18	99,044	0.91
Debt securities issued	142,403	1.21	221,583	2.03
Others[(1)]	305,876	2.59	294,330	2.69
Total liabilities	**11,789,624**	**100.00**	**10,918,561**	**100.00**

(1) "Others" including salaries and welfare payable, taxes payable, contract liabilities, lease liabilities, expected liabilities, deferred income tax liabilities, accrued interest and other liabilities.

Deposits from customers

As at 31 December 2025, total deposits from customers of the Group amounted to RMB9,836.130 billion, representing an increase of 8.13% as compared with the end of 2024, accounting for 83.43% of the total liabilities of the Group, which was the major funding source of the Group.

The following table sets forth, as at the dates indicated, the deposits from customers of the Group by product type and customer type.

	As at 31 December			
	2025		2024	
	Amount	Percentage	Amount	Percentage
		(%)		*(%)*
	(in millions of RMB, except for percentages)			
Corporate customer deposits				
Demand	2,761,092	28.07	2,772,365	30.47
Time	2,579,124	26.22	2,291,188	25.19
Subtotal	5,340,216	54.29	5,063,553	55.66
Deposits from retail customers				
Demand	2,234,851	22.72	1,980,251	21.77
Time	2,261,063	22.99	2,052,783	22.57
Subtotal	4,495,914	45.71	4,033,034	44.34
Total deposits from customers	**9,836,130**	**100.00**	**9,096,587**	**100.00**

As at 31 December 2025, the demand deposits of the Group accounted for 50.79% of the total deposits from customers, representing a decrease of 1.45 percentage points as compared with the end of 2024. During 2025, the percentage of daily average balance of the demand deposits to that of the total deposits from customers of the Group was 49.40%, representing a year-on-year decrease of 0.94 percentage point. Among these, the daily average balance of demand deposits from corporate customers accounted for 50.60% of that of the total deposits from corporate customers, representing a year-on-year decrease of 1.30 percentage points; the daily average balance of demand deposits from retail customers accounted for 47.94% of that of the total deposits from retail customers, representing a year-on-year decrease of 0.38 percentage point. As market expectations had not yet been fully recovered, the liquidity activities of enterprises were still insufficient throughout the year, and customers' investment demand for time deposits remained at a relatively high level, leading to a year-on-year decrease in the proportion of demand deposits. However, the percentage of daily average balance of the demand deposits of the Group increased on a quarter-to-quarter basis in the fourth quarter of 2025.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2025, the Bank had a total of 479,538 shareholders of ordinary shares, including 453,281 holders of A Shares and 26,257 holders of H Shares. As at 31 December 2025, the number of A Shares and H Shares issued by the Bank accounted for 81.80% and 18.20% of the total number of shares in the Bank, respectively. In particular, China Merchants Group Ltd. through its subsidiaries indirectly held 32.73% of the A Shares and 17.57% of the H Shares in the Bank.

The table below sets out the particulars of the Bank's top 10 shareholders as at 31 December 2025 (based on the register of shareholders as at 31 December 2025).

No.	Name of shareholders	Type of shareholders	Shares held as at 31 December 2025 (share)	Percentage of the total share capital (%)	Type of shares	Changes in 2025 (share)	Number of shares held subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
1	HKSCC Nominees Ltd.	Overseas legal person	4,555,932,579	18.06	H Shares not subject to trading restrictions on sales	1,264,081	–	Unknown
2	China Merchants Steam Navigation Co., Ltd.	State-owned legal person	3,289,470,337	13.04	A Shares not subject to trading restrictions on sales	–	–	–
3	China Ocean Shipping Company Limited	State-owned legal person	1,574,729,111	6.24	A Shares not subject to trading restrictions on sales	–	–	–
4	Shenzhen Yan Qing Investment and Development Company Ltd.	State-owned legal person	1,258,542,349	4.99	A Shares not subject to trading restrictions on sales	–	–	–
5	Hong Kong Securities Clearing Company Limited	Overseas legal person	1,221,284,589	4.84	A Shares not subject to trading restrictions on sales	(49,834,760)	–	–
6	China Merchants Financial Holdings Co., Ltd.	State-owned legal person	1,147,377,415	4.55	A Shares not subject to trading restrictions on sales	–	–	–
7	Hexie Health Insurance Co., Ltd. – Traditional – Ordinary insurance products	Domestic legal person	1,130,991,537	4.48	A Shares not subject to trading restrictions on sales	–	–	–
8	Shenzhen Chu Yuan Investment and Development Company Ltd.	State-owned legal person	944,013,171	3.74	A Shares not subject to trading restrictions on sales	–	–	–

No.	Name of shareholders	Type of shareholders	Shares held as at 31 December 2025 (share)	Percentage of the total share capital (%)	Type of shares	Changes in 2025 (share)	Number of shares held subject to trading restrictions on sales (share)	Number of shares pledged, marked or frozen (share)
9 . .	COSCO Shipping (Guangzhou) Co., Ltd.	State-owned legal person	696,450,214	2.76	A Shares not subject to trading restrictions on sales	–	–	–
10 .	China Securities Finance Corporation Limited	Domestic legal person	524,229,972	2.08	A Shares not subject to trading restrictions on sales	–	–	–

(1) Shares held by HKSCC Nominees Ltd. are the total shares in the accounts of holders of H Shares of the Bank trading on the transaction platform of HKSCC Nominees Ltd. Hong Kong Securities Clearing Company Limited is an institution designated by others to hold shares on behalf of them as a nominal holder, and the shares held by it are the shares of the Bank acquired by investors through Northbound Trading.

(2) As at 31 December 2025, among the aforesaid top ten shareholders, HKSCC Nominees Ltd. is a subsidiary of Hong Kong Securities Clearing Company Limited; China Merchants Steam Navigation Co., Ltd., Shenzhen Yan Qing Investment and Development Company Ltd., China Merchants Financial Holdings Co., Ltd. and Shenzhen Chu Yuan Investment and Development Company Ltd. are all subsidiaries of China Merchants Group Ltd.; and China Ocean Shipping Company Limited and COSCO Shipping (Guangzhou) Co., Ltd. are both subsidiaries of China COSCO Shipping Corporation Limited. The Bank is not aware of any affiliated relationship or action in concert among other shareholders.

(3) None of the above holders of A Shares have entrusted any proxy or acted as proxy to vote or waived their voting rights.

(4) For the year ended 31 December 2025, the above holders of A Shares did not participate in the margin trading and short selling business. The number of outstanding A Shares of the Bank lent out through securities lending by the above holders of A Shares at the beginning and the end of 2025 was zero.

MANAGEMENT OF THE BANK

The table below sets out the particulars of the Bank's Directors and Senior Management as at the date of this Offering Circular:

Name	Date of Birth	Title
Miao Jianmin (繆建民)	1965.1	Chairman and Non-Executive Director
Shi Dai (石岱)	1967.9	Non-Executive Director
Wang Liang (王良)	1965.12	Executive Director, President and Chief Executive Officer
Deng Renjie (鄧仁傑)	1970.2	Non-Executive Director
Jiang Chaoyang (江朝陽)	1967.12	Non-Executive Director
Zhu Eric Liwei (朱立偉)	1971.8	Non-Executive Director
Huang Jian (黃堅)	1969.8	Non-Executive Director
Ma Xianghui (馬向輝)	1974.10	Non-Executive Director
Zhong Desheng (鍾德勝)	1967.7	Executive Director
Tian Hongqi (田宏啟)(1)	1957.5	Independent Non-Executive Director
Li Chaoxian (李朝鮮)(2)	1958.9	Independent Non-Executive Director
Shi Yongdong (史永東)(2)	1968.11	Independent Non-Executive Director
Li Jian (李健)	1953.9	Independent Non-Executive Director
Wong Yuk Shan (黃玉山)	1949.12	Independent Non-Executive Director
Lu Liping (盧力平)	1955.10	Independent Non-Executive Director
Zhao Weipeng (趙衛朋)	1972.3	Secretary of the Party Discipline Committee
Wang Ying (王穎)	1972.11	Executive Vice President
Peng Jiawen (彭家文)	1969.5	Executive Vice President, Chief Financial Officer and Secretary of the Board of Directors
Lei Caihua (雷財華)	1974.9	Executive Vice President
Xu Mingjie (徐明傑)	1968.9	Executive Vice President, Chief Risk Officer
Cui Jiakun (崔家鯤)	1974.12	Executive Assistant President
Wang Xinghai (王興海)	1976.11	Executive Assistant President
Zhou Tianhong (周天虹)	1967.12	Chief Information Officer

(1) Mr. Tian Hongqi has tendered his resignation as an Independent Non-Executive Director to the Board of Directors of the Bank due to expiry of his term of office. In accordance with the relevant laws, regulations and the relevant requirements of the Articles of Association of the Bank, his resignation will become effective upon the approval of the qualification of the new Independent Non-Executive Director by the National Financial Regulatory Administration to fill the vacancy.

(2) According to the "Measures for Administration of Independent Directors of Listed Companies", the term of office of Independent Directors shall not exceed six years. Therefore, the actual term of office of the Independent Directors, Mr. Li Chaoxian and Mr. Shi Yongdong, will expire earlier than the expiry of the term of the Thirteenth Session of the Board of Directors of the Bank.

DIRECTORS

Mr. Miao Jianmin is the Chairman and a Non-Executive Director of the Bank. Mr. Miao obtained a doctoral degree in Economics from Central University of Finance and Economics and a master's degree from the Research Institute of the People's Bank of China, and is a senior economist. He is an alternate member of the nineteenth and twentieth Central Committee of the Communist Party of China. Mr. Miao is the Chairman of China Merchants Group Ltd. and concurrently serves as the Chairman of China Merchants Financial Holdings Co., Ltd. Mr. Miao was an Executive Director and the Deputy General Manager of China Insurance (Group) Limited Company in Hong Kong, the Vice Chairman and President of China Life Insurance (Group) Company, the Chairman of The People's Insurance Company (Group) of China Limited (a company listed on the Hong Kong Stock Exchange), the Chairman of PICC Property and Casualty Company Limited (a company listed on the Hong Kong Stock Exchange) and the Chairman of China Merchants Life Insurance Company Limited.

Ms. Shi Dai is a Non-Executive Director of the Bank. Ms. Shi obtained an MBA degree from China Europe International Business School. She is a senior economist. She currently serves as a Director and the General Manager of China Merchants Group Limited. She concurrently serves as the Vice Chairman of China Merchants Financial Holdings Co., Ltd. She served as the Deputy General Manager of Sinochem Group, the Vice Chairperson of All-China Federation of Trade Unions and concurrently the Vice Chairperson of All-China Women's Federation, a member of the Standing Committee and the head of the Organisation Department of the CPC Ningxia Committee, and the Dean of the Party School of Ningxia Hui Autonomous Region (Ningxia School of Administration).

Mr. Wang Liang is an Executive Director, the President and Chief Executive Officer of the Bank. Mr. Wang obtained a master's degree in Economics from Renmin University of China. He is a senior economist. He joined the Bank in June 1995 and successively served as the Assistant General Manager, Deputy General Manager and General Manager of Beijing Branch of the Bank. He successively served as the Executive Assistant President, Executive Vice President and First Executive Vice President of the Bank since June 2012, and started to preside over overall business of the Bank since 18 April 2022. He has been the President of the Bank since 15 June 2022. He concurrently serves as the Bank's authorised representative in charge of matters in relation to listing in Hong Kong, the Chairman of CMB International Capital Holdings Corporation Limited, the Chairman of CMB International Capital Corporation Limited, Chairman of CMB Wing Lung Bank, Vice Chairman of Merchants Union Consumer Finance Company Limited, Director of China Merchants Financial Holdings Co., Ltd., the Vice Chairman (Council Member) of the Standing Council of the China Banking Association Council, a Director of the Fourth Session of the Professional Committee for Intermediate Business of China Banking Association and Executive Director of the Sixth Session of the Financial Accounting Society of China, and a Deputy of the 14th Guangdong Provincial People's Congress. He had served as the Chief Financial Officer, Secretary of the Board of Directors, and Company Secretary of the Bank.

Mr. Deng Renjie is a Non-Executive Director of the Bank. He obtained a master's degree in International Law from Dalian Maritime University. He currently serves as the Deputy General Manager of China Merchants Group Ltd., and concurrently serves as the Chairman of China Merchants Innovation & Technology (Group) Co., Ltd., the Chairman of China Merchants Testing Technology Holdings Co., Ltd., the Chairman of China Merchants Innovative Investment Management Co., Ltd. and the Director of China Merchants Financial Holdings Co., Ltd. He served as the Assistant General Manager and Director of Administration Department of China Merchants Group Ltd., and concurrently served as the Chairman of China Merchants Expressway Network & Technology Holdings Co., Ltd. (a company listed on Shenzhen Stock Exchange), the Chairman of China Merchants Port Group Co., Ltd. (a company listed on Shenzhen Stock Exchange), the Chairman of the Board of China Merchants Port Holdings Company Limited (a company listed on the Hong Kong Stock Exchange), the Chairman of Liaoning Port Group Limited, the Chairman of China Merchants Industry Holdings Co., Ltd. and the Chairman of China Merchants Ping An Asset Management Co., Ltd.

Mr. Jiang Chaoyang is a Non-Executive Director of the Bank. He obtained a master's degree in Management Sciences from Shanghai Jiao Tong University and is a senior economist. He is currently the Deputy General Manager of China Merchants Financial Holdings Co., Ltd. He concurrently serves as the Vice Chairman of China Merchants Capital Investment Co., Ltd. He served as General Manager of Strategic Customers Department of the Head Office, General Manager of Retail Network Banking Department of the Head Office, General Manager of Wealth Management Department of the Head Office, director of the Fintech Office of the Head Office and the Chief Information Officer of China Merchants Bank, and the director of Digital Centre of China Merchants Group Ltd.

Mr. Zhu Eric Liwei is a Non-Executive Director of the Bank. He obtained a master's degree in International Business Administration from Schulich School of Business of York University in Canada. He currently serves as the Deputy General Manager of China Merchants Financial Holdings Co., Ltd. He concurrently serves as the Chairman of the Board of Directors of CMB Wing Lung Insurance Company Limited, the Chairman of CM Houlder Insurance Brokers Limited and the Chairman of Shenzhen Yintong Zhihui Information Service Co., Ltd. (深圳市銀通智匯信息服務有限公司). He served as the Assistant Director of the Finance Department of Lenovo Group Limited, the Senior Manager of the Performance

Reform Department of PricewaterhouseCoopers, the Assistant General Manager and Deputy General Manager of China Merchants Finance Holdings Co., Ltd., a Member (Executive) of the Executive Committee of the China Merchants Financial Group/Platform, and the Director and the Supervisor of China Merchants Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange).

Mr. Huang Jian is a Non-Executive Director of the Bank. He obtained a master's degree in Business Administration from Beijing Institute of Technology and is a senior accountant. He currently serves as the General Manager of the Capital Operation Department of China COSCO Shipping Corporation Limited. He concurrently serves as a Director of COSCO SHIPPING Captive Insurance Co., Ltd., a Non-Executive Director of China Merchants Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange), a Non-Executive Director of SAIC Motor Corporation Limited (a company listed on the Shanghai Stock Exchange), and a Director of Lanhai Medical Investment Co., Ltd. He served as the Chief Financial Officer of COSCO Americas Inc., the Deputy General Manager of the Financial Department of China Ocean Shipping (Group) Company, the Deputy General Manager of the Capital Operation Department of China COSCO Shipping Corporation Limited, etc.

Mr. Ma Xianghui is a Non-Executive Director of the Bank. He obtained a bachelor's degree in Investment Economics from China School of Banking and Finance and a master's degree in International Trade from University of International Business and Economics. He is a senior accountant and a Fellow of the Chartered Certified Accountants (FCCA). He currently serves as the General Manager of Financial Management Division of China COSCO Shipping Corporation Limited and the Chairman of COSCO SHIPPING Finance Company Limited, and concurrently serves as a Director of COSCO SHIPPING Specialized Carriers Co., Ltd. (a company listed on the Shanghai Stock Exchange), a Director of COSCO SHIPPING Ports Limited (a company listed on the Hong Kong Stock Exchange), a Director of COSCO SHIPPING International (Hong Kong) Co., Ltd. (a company listed on the Hong Kong Stock Exchange) and a Director of China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. He successively served as the Deputy General Manager of Capital Operation Division of China COSCO Shipping Corporation Limited, the Deputy General Manager of COSCO SHIPPING (Hong Kong) Co., Limited, the Deputy General Manager of COSCO SHIPPING International (Hong Kong) Co., Ltd. (a company listed on the Hong Kong Stock Exchange), and a Director of Qilu Expressway Company Limited (a company listed on the Hong Kong Stock Exchange).

Mr. Zhong Desheng is an Executive Director of the Bank. He obtained a master's degree in the History of Foreign Economic Thoughts from Huazhong University of Science and Technology and is a senior economist. He joined the Bank in July 1993 and successively served as the Assistant General Manager and Deputy General Manager of Wuhan Branch, the General Manager of International Business Department of the Head Office, the General Manager of Trade Finance Department of the Head Office and the General Manager of Offshore Finance Centre of the Head Office, the General Manager of Guangzhou Branch, the President of the General Office of Corporate Finance of the Head Office and concurrently the General Manager of the Strategic Customers Department, the Executive Assistant President of the Bank and the Executive Vice President of the Bank. He concurrently served as the Chief Risk Officer of the Bank and the Chairman of CMB Financial Leasing.

Mr. Tian Hongqi is an Independent Non-Executive Director of the Bank. Mr. Tian obtained a bachelor's degree in Waterway Finance and Accounting from Shanghai Maritime University, and is a senior accountant. He previously served as the Chief Financial Officer and Chief Information Officer of COSCO SHIPPING Bulk Co., Ltd., the General Manager of the Finance Department of COSCO Container Lines Co., Ltd., the Director and the General Manager of the Financial Department of COSCO Japan, the Chief Financial Officer of COSCO Holdings (Singapore) Pte. Ltd. (中遠控股(新加坡)有限公司), the General Manager of the Finance Department of the COSCO Container Transportation Operation Headquarters (中遠集裝箱運輸經營總部), and the Deputy Director of the Finance Department of COSCO. He concurrently served as an Independent Director of Nanjing Tanker Corporation under China Merchants Group (招商局南京油運股份有限公司, a company listed on the Shanghai Stock Exchange).

Mr. Li Chaoxian is an Independent Non-Executive Director of the Bank. Mr. Li obtained a doctoral degree in Industrial Economics and a master's degree in Statistics from Renmin University of China, respectively. He is currently a professor and doctoral supervisor of Beijing Technology and Business University. He concurrently serves as an Independent Director of China World Trade Center Company Limited (a company listed on the Shanghai Stock Exchange). He served as the Deputy Director and Director of the Finance Department of Beijing Business School, Deputy Dean and Dean of the School of Economics of Beijing Technology and Business University, Chief of the Academic Affairs Office of Beijing Technology and Business University, Vice President of Beijing Technology and Business University, and an Independent Director of Beijing HuaDaJianYe Engineering Management Co., Ltd. (北京華達建業工程管理股份有限公司) (a company listed on the National Equities Exchange and Quotations).

Mr. Shi Yongdong is an Independent Non-Executive Director of the Bank. Mr. Shi obtained a doctoral degree in Economics from Dongbei University of Finance and Economics and a master's degree in Applied Mathematics from Jilin University. He is a leading talent of the national high-level special support plan, one of the National Cultural Masters (全國文化名家) and the "Four Batches" (四個一批) Talents, and the chief expert of the major projects under the National Social Science Fund of China. He is currently the Dean, a Professor and a Doctoral Supervisor of the School of Finance and Technology of Dongbei University of Finance and Economics, and concurrently serves as a council member of China Finance Society, and a standing council member of the Chinese Finance Annual Meeting (中國金融學年會), the Chinese Financial Projects Annual Meeting (中國金融工程學年會), and the International Symposium on Financial Systems Engineering and Risk Management (金融系統工程與風險管理國際年會). He served as the Deputy Dean of the School of Finance, the Director of the Applied Finance Research Centre, the Chief of the scientific research department and the Dean of the School of Applied Finance and Behavioural Sciences in Dongbei University of Finance and Economics, an Independent Director of Dalian Huarui Heavy Industry Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange), and an Independent Director of Bank of Anshan Co., Ltd.

Ms. Li Jian is an Independent Non-Executive Director of the Bank. She holds a doctorate degree in Economics. She currently serves as a professor of the School of Finance and a doctoral supervisor at the Central University of Finance and Economics. She concurrently serves as a council member of China Society for Finance and Banking and an Independent Director of Schroders BOCOM Wealth Management Co., Ltd. She concurrently served as the Director of the Consultative Committee for Economics Teaching in Vocational Schools and Junior Colleges under the Ministry of Education, the Deputy Director of the Consultative Committee for Teaching of Undergraduate Program in Finance under the Ministry of Education, an Independent Director of CITIC Securities Company Limited (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange), an Independent Director of Bank of Beijing Co., Ltd., an Independent Director of Bank of Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange) and an Independent Director of PICC Life Insurance Company Limited, etc.

Mr. Wong Yuk Shan is an Independent Non-Executive Director of the Bank. He holds a doctorate degree in Biochemistry from McGill University. He currently serves as the Emeritus President of Hong Kong Metropolitan University, the Vice Chairman of the Hong Kong Basic Law Committee of the Standing Committee of National People's Congress, the Chairman of the Chinese Occupational Education Association of Hong Kong, the Governor of Our Hong Kong Foundation, the Chairman of the Civil Service Training Advisory Board of the Government of the HKSAR. He used to serve as the Vice President of the Hong Kong University of Science and Technology, the Vice President of the City University of Hong Kong, the President of the Open University of Hong Kong (currently known as Hong Kong Metropolitan University), the 11th to 13th Hong Kong SAR Deputy for the National People's Congress of China. He also served as the Deputy Chairman of Hong Kong Advisory Council on the Environment, the Chairman of the Hong Kong Veterinary Surgeons Board, the Chairman of the Hong Kong Consumer Council, the Chairman of the Hong Kong Research Grants Council, the Chairman of the Society of Hong Kong Scholars, and the Vice Chairman of the Federation of Fujian Associations of Hong Kong.

Mr. Lu Liping is an Independent Non-Executive Director of the Bank. He holds a doctorate degree in Economics from Peking University. He currently serves as a professor of economics at Beijing National Accounting Institute. He serves concurrently as an External Director of Beijing Huafang Investment Company Limited, an External Director of Beijing Financial Street Investment (Group) Co., Ltd. and an Independent Director of Jiangxi Special Electric Motor Co., Ltd. (a company listed on the Shenzhen Stock Exchange). He used to serve as a Member of the Academic Committee, the Head of the Finance Department and the Director of the Capital Operation Research Institute of Beijing National Accounting Institute, an Independent Director and Chairman of the Audit Committee of China Foreign Economy and Trade Trust Co., Ltd., an External Director and Chairman of the Audit Committee of Tianjin Teda Group Co., Ltd., an External Director of Tianjin Zhonghuan Electronic Information (Group) Co., Ltd. and an External Director of Tianjin Jinzhi State-owned Assets Capital Investment Operation Co., Ltd.

SENIOR MANAGEMENT

Mr. Wang Liang, please refer to Mr. Wang Liang's biography under the heading of "*Directors*" above.

Mr. Zhong Desheng, please refer to Mr. Zhong Desheng's biography under the heading of "*Directors*" above.

Mr. Zhao Weipeng is the Secretary of the Party Discipline Commission of the Bank. Mr. Zhao holds a master's degree in Management and is a senior accountant and a non-practicing member of Chinese Institute of Certified Public Accountants. He successively served as the Manager of Finance Department of China Merchants Shipping and Enterprises Company Limited, the Manager of Planning and Finance Department of Hong Kong Ming Wah Shipping Company Limited, the Chief Financial Officer, Deputy General Manager, Secretary of the Party Discipline Commission, and Deputy Secretary to the Party Committee of China Merchants Zhangzhou Development Zone Company Limited, Secretary of the Party Discipline Commission, Deputy Secretary to the Party Committee and Executive Deputy Director of the Management Committee of Zhangzhou China Merchants Economic and Technological Development Zone, Secretary to the Party Committee and General Manager of China Merchants Taipingwan Development & Investment Company Limited, Deputy General Manager (General Manager Level) of Finance Department (Property Rights Department) of China Merchants Group Ltd., Secretary to the Party committee and General Manager of China Merchants Group Finance Co., Ltd. He has been the Secretary of the Party Discipline Commission of the Bank since August 2023.

Ms. Wang Ying is an Executive Vice President of the Bank. She obtained a master's degree in Political Economics from Nanjing University and is an economist. She joined the Bank in January 1997, successively served as the Assistant General Manager and Deputy General Manager of Beijing Branch, General Manager of Tianjin Branch, General Manager of Shenzhen Branch and the Executive Assistant President of the Bank, and has been serving as an Executive Vice President of the Bank since November 2023. She concurrently serves as the Chairman of CMFM, the Chairman of CIGNA & CMB Life Insurance and the Chairman of CIGNA & CMAM.

Mr. Peng Jiawen is an Executive Vice President, the Chief Financial Officer and the Secretary of the Board of Directors of the Bank. He obtained a bachelor's degree in National Economic Planning from Zhongnan University of Economics and Law and is a professorate senior economist. He joined the Bank in September 2001, and successively served as an Assistant General Manager and Deputy General Manager of the Planning and Finance Department of the Head Office, Deputy General Manager and General Manager of the Overall Retail Management Department of the Head Office, Deputy General Manager and Vice President of the General Office of Retail Finance of the Head Office, Vice President of the General Office of Retail Finance of the Head Office and concurrently General Manager of Retail Credit Business Department of the Head Office, General Manager of Zhengzhou Branch, General Manager of Asset and Liabilities Management Department of the Head Office and the Executive Assistant President of the Bank. He has served as an Executive Vice President of the Bank since November 2023, and concurrently serves as the Chief Financial Officer and the Secretary of the Board of Directors of the Bank.

Mr. Lei Caihua is an Executive Vice President of the Bank. He obtained a bachelor's degree in Investment Economics from Huazhong University of Science and Technology, a master's degree in National Economics from Zhongnan University of Economics and Law, and is an economist. He joined the Bank in July 1995, and successively served as the Deputy General Manager of Corporate Banking Department and concurrently the General Manager of SME Finance Department of the Head Office, General Manager of Corporate Finance Product Department of the Head Office, General Manager of Strategic Customers Department of the Head Office, General Manager of Small Enterprise Finance Department of the Head Office, the General Manager of Chongqing Branch, Head of Topology Bank Preparatory Team, the General Manager of Shanghai Branch, and Executive Assistant President of the Bank. Since May 2025, he has served as an Executive Vice President of the Bank, and concurrently serves as the Chairman of CMB Investment and the Chairman of CMB Financial Leasing.

Mr. Xu Mingjie is an Executive Vice President and Chief Risk Officer of the Bank. He obtained a bachelor's degree in Engineering from Xi'an Jiaotong University and a bachelor's degree in Economics from Shanghai University of International Business and Economics, and is a chartered certified accountant. He joined the Bank in September 1995, successively served as the Assistant General Manager of Corporate Finance Product Department of the Head Office, Assistant General Manager of Investment Banking Department of the Head Office, Deputy General Manager of Investment Banking Department of the Head Office, General Manager of Credit Approval Department of the Head Office, General Manager of Risk Management Department of the Head Office and an Executive Assistant President of the Bank, and concurrently served as the General Manager of Beijing Branch of the Bank. He has served as an Executive Vice President of the Bank since June 2025 and concurrently serves as the Chief Risk Officer of the Bank.

Mr. Cui Jiakun is an Executive Assistant President of the Bank. He obtained a bachelor's degree in Economics from Nanjing Agricultural University and an MBA degree from China Europe International Business School, and is an economist. He joined the Bank in June 2000, and successively served as the Deputy General Manager of Shanghai Branch, the General Manager of Suzhou Branch and the General Manager of Guangzhou Branch. Since December 2025, he has served as an Executive Assistant President of the Bank, and concurrently serves as the General Manager of Beijing Branch of the Bank.

Mr. Wang Xinghai is an Executive Assistant President of the Bank. He obtained a bachelor's degree in Economics with a major in International Enterprise Management from Capital University of Economics and Business. He joined the Bank in July 1999, and successively served as the Deputy General Manager of Beijing Branch, the General Manager of the Institutional Customers Department of the Head Office, the General Manager of the Pension Finance Department of the Head Office and the Deputy General Manager and General Manager of Shenzhen Branch. Since December 2025, he has served as an Executive Assistant President of the Bank, and concurrently serves as the General Manager of Shenzhen Branch of the Bank.

Mr. Zhou Tianhong is the Chief Information Officer (CIO) of the Bank. He obtained a master's degree in computer software from Nanjing University, and is an engineer. He joined the Bank in September 1994 and has successively served as the Deputy General Manager (in charge of work) and the General Manager of the Information Technology Department of the Head Office, and the General Manager of the Information Technology Department of the Head Office. He has served as the Chief Information Officer of the Bank since December 2024 and concurrently serves as the Director of the Digital Finance Development Office of the Head Office.

BANKING REGULATION AND SUPERVISION IN THE PRC

The banking industry is heavily regulated in the PRC, with NFRA and PBOC acting as the principal regulatory authorities. NFRA is primarily responsible for supervising and regulating banking institutions, and PBOC, as the central bank of the PRC, is primarily responsible for formulating and implementing monetary policies. The applicable laws and regulations governing activities in the PRC banking industry consist principally of the PRC Commercial Banking Law (《中華人民共和國商業銀行法》), the Law of PRC on Supervision and Administration of Banking Sector (《中華人民共和國銀行業監督管理法》), the PRC PBOC Law (《中華人民共和國中國人民銀行法》) and rules and regulations promulgated thereunder.

(A) NFRA

Functions and Powers

NFRA, replacing CBIRC in May 2023, is responsible for implementing the policies and decisions of the Central Committee of the Communist Party of China (the "**CPC Central Committee**") regarding financial work, and according to the Provisions on the Functions, Internal Structure and Staffing of the NFRA (《國家金融監督管理總局職能配置、內設機構和人員編制規定》, effective on 29 October 2023) its main responsibilities include to:

(1) conduct unified supervision and regulation of the financial industry (excluding the securities sector) in accordance with laws and regulations, strengthen institutional supervision, conduct supervision, functional supervision, look-through supervision and on-going supervision, and ensure the lawful and stable operation of the financial industry;

(2) conduct systematic research regarding issues concerning the reform and opening up as well as effective supervision of the financial industry; participate in the formulation of strategic plans for reform and development of the financial industry; draft relevant laws and regulations on banking, insurance and financial holding companies, and put forward recommendations for their formulation and revision; and formulate relevant rules and regulations for banking institutions, insurance institutions, and financial holding companies, etc;

(3) coordinate work concerning the protection of financial consumers' rights and interests; formulate development planning, establish a sound system and study major issues concerning the protection of financial consumers' rights and interests, to carry out financial consumer education, and build complaint handling mechanisms as well as diversified dispute resolution mechanisms for financial consumers;

(4) conduct authorisation of banking institutions, insurance institutions, financial holding companies and others in accordance with law, and carry out supervision and regulation of these institutions in respect of their corporate governance, risk management, internal controls, capital adequacy, solvency, business operations, information disclosure, etc;

(5) conduct on-site examination and off-site surveillance of banking institutions, insurance institutions, financial holding companies and others, in accordance with law; and carry out risk and compliance assessment of these institutions, investigate and impose administrative penalties over violations;

(6) prepare regulatory data statements of banking institutions, insurance institutions, financial holding companies and others on a consolidated basis, and release these information in accordance with relevant provisions; fulfil the responsibilities concerning comprehensive statistics of the financial industry;

(7) carry out technology supervision of banking institutions, insurance institutions, financial holding companies, etc.; establish technology supervisory systems and formulate relevant policies; build up a regulatory big data platform, carry out risk monitoring, analysis, assessment and early warning, and make full use of technological means to strengthen supervision and prevent risks;

(8) conduct look-through supervision of the banking institutions, insurance institutions, financial holding companies, etc.; formulate rules on equity supervision, and review and approve shareholders, actual controllers as well as equity changes in accordance with law; and carry out investigation on shareholders, actual controllers, persons acting in concert and ultimate beneficiaries according to law, and take relevant measures or impose penalties on violations of laws and regulations;

(9) set up financial inspection and oversight systems outside of the fields of currency, payment, credit reporting, anti-money laundering, foreign exchange, securities and futures; set up mechanisms connecting the administrative law enforcement with criminal justice, and investigate, collect evidence on and deal with related subjects of violations or illegal financial activities, and transfer those suspected of committing a crime to judicial organs;

(10) establish recovery and resolution mechanisms of banking institutions, insurance institutions, financial holding companies, etc.; study and put forward recommendations on the recovery and resolution of financial institutions in collaboration with relevant departments and organise their implementation;

(11) take the lead in cracking down on illegal financial activities, organise the establishment of monitoring and early warning system on illegal financial activities, coordinate, guide and urge relevant departments and local governments to carry out work to prevent and deal with illegal financial activities according to law; study and put forward relevant suggestions on cross-sector and cross-region illegal financial activities and those involving new products and new types of business, and organise their implementation as required;

(12) establish a local financial supervision system as required which is mainly based on local offices directly under the central financial authorities; guide and oversee the local financial supervisory work, and guide and coordinate local governments to fulfil their respective jurisdictional responsibility in resolving related financial risks;

(13) supervise the outsourcing of information technology, as well as other cooperating activities of banking institutions, insurance institutions, financial holding companies and other supervised entities with information technology service agencies and other intermediaries; conduct investigation over violations of laws and regulations in accordance with law, and take relevant measures against financial institutions;

(14) participate in the regulatory and rule-making work of international financial organisations and international regulatory standard-setting bodies; carry out overseas exchanges and international cooperation work; and

(15) implement other tasks assigned by the CPC Central Committee and the State Council.

(B) EXAMINATION AND SUPERVISION

NFRA, through its head office in Beijing and offices across the PRC, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include inspecting the banks' premises, interviewing bank employees, senior management and directors, as well as reviewing documents and materials maintained by the banks. NFRA also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks and monitoring banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks. If a banking institution is not in compliance with a regulation, NFRA has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and asset transfers, suspension of new branches opening and other penalties.

(C) PBOC

As the central bank of the PRC, PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law (《中華人民共和國中國人民銀行法》) (as last amended in 2003), PBOC is empowered to:

(1) enforce relevant rules and regulations related to fulfilling its functions;

(2) formulate and implement monetary policies in accordance with the laws;

(3) issue Renminbi, the currency of the PRC, and regulate the flow of Renminbi;

(4) regulate the inter-bank lending market and inter-bank bond market;

(5) implement foreign exchange controls and regulate inter-bank foreign exchange market;

(6) regulate the gold market;

(7) hold, administer and manage the PRC's foreign exchange reserves and gold reserves;

(8) manage the state treasury;

(9) maintain the normal operation of payment and settlement systems;

(10) guide and supervise anti-money laundering efforts of financial institutions and monitor fund transfers to ensure that such transfers are in compliance with anti-money laundering regulations;

(11) act as the central bank of the PRC to conduct relevant international financial activities;

(12) collect statistics of, investigate, analyse and forecast the financial industry; and

(13) other functions and responsibilities prescribed by the PRC State Council.

(D) OTHER REGULATORY AUTHORITIES

In addition to NFRA and PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, but not limited to, the Ministry of Commerce of the People's Republic of China (the "**MOFCOM**"), the NDRC, the CSRC and the SAFE.

(E) REGULATIONS REGARDING CAPITAL ADEQUACY

On 26 October 2023, the NFRA promulgated the New Capital Regulation, which became effective on 1 January 2024 and abolished the Capital Regulation issued in June 2012. The New Capital Regulation set out minimum capital adequacy ratio (the "**CAR**") requirements for commercial banks, and provide detailed guidelines on the calculation of "**capital**" and "**risk-weighted assets**". Commercial banks in the PRC are required to have a CAR of not less than 8%, Tier 1 CAR of not less than 6% and Common Equity Tier 1 CAR of not less than 5%. The CARs are calculated in accordance with the New Capital Regulation as follows:

$$\text{Capital Adequacy Ratio} = \frac{\textit{(Total Capital – deductions from corresponding capital instruments)}}{\textit{(Risk weighted Assets)}} \text{ X } 100\%$$

$$\text{Tier 1 Capital Adequacy Ratio} = \frac{\textit{(Tier 1 Capital – deductions from corresponding capital instruments)}}{\textit{(Risk weighted Assets)}} \text{ X } 100\%$$

$$\text{Core Tier 1 Capital Adequacy Ratio} = \frac{\textit{(Tier 1 Capital – deductions from corresponding capital instruments)}}{\textit{(Risk weighted Assets)}} \text{ X } 100\%$$

Further details regarding the basic principles of such calculations can be obtained at the official website of the NFRA.

The contents of this website do not form a part of this Offering Circular.

On 22 November 2019, the former CBIRC released the Guiding Opinions on the Innovation in Capital Instruments by Commercial Banks (Revision) the Guiding Opinions (《關於商業銀行資本工具創新的指導意見(修訂)》) (the "**New Guiding Opinions**"), which abolished the Guiding Opinions issued on 29 November 2012. Pursuant to the New Guiding Opinions, Additional Tier 1 Capital instruments and tier 2 capital instruments issued by a commercial bank must contain a provision that requires such instruments to be either written off or converted into common stock upon the occurrence of a triggering event. A going-concern trigger event occurs when the Core Tier 1 Capital Adequacy Ratio of the commercial bank falls to 5.125% or below. An unable-to-survive trigger event occurs upon the earlier of: (i) a decision of write-off or share conversion, without which the commercial bank would become non-viable, as determined by the former CBIRC; or (ii) a decision to make a public sector injection of capital or equivalent support, without which the commercial bank would have become non-viable, as determined by relevant authorities.

On 3 April 2014, the CBRC and CSRC promulgated the Guiding Opinions of the China Banking Regulatory Commission and China Securities Regulatory Commission on the Issuance of Preference Shares by Commercial Banks to Replenish Tier-one Capital (《中國銀監會、中國證監會關於商業銀行發行優先股補充一級資本的指導意見》) which was amended on 19 July 2019, the commercial banks issuing preference shares shall comply with relevant regulations promulgated by the State Council and CSRC and the requirements of capital instruments released by CBIRC, and the Core Tier 1 Capital Adequacy Ratio shall comply with the prudential regulation principles formulated by CBIRC. The commercial banks issuing preference shares to supplement tier 1 capital shall comply with the criteria of the Additional Tier 1 Capital instruments under the Capital Regulation and the Guiding Opinions, and shall not issue the preference shares with put provisions.

TAXATION

The following summary of certain PRC, Hong Kong and EU tax consequences of the purchase, ownership and disposal of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

PRC TAXATION

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》) and the relevant implementation rules, non-PRC resident enterprises with no establishment or place of business within the PRC, and such, although with establishment or place of business within the PRC, gaining the income derived from or accrued in the PRC of no *de facto* relationship with its establishment or place of business will not be subject to the PRC income tax in respect of the interest income determined as income sourced outside the PRC by PRC tax authority. If the interest income is determined by the relevant PRC tax authority as income sourced within the PRC, non-PRC resident enterprises with no establishment or place of business within the PRC, and such, although with establishment or place of business within the PRC, gaining the income derived from or accrued in the PRC of no *de facto* relationship with its establishment or place of business will be subject to income tax at 10% of the gross amount of the interest unless there is an applicable tax treaty between the PRC and the jurisdiction in which the holders reside that reduces or exempts such PRC income tax. However, pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得税法》) and the relevant implementation rules, it remains uncertain as to whether non-PRC resident individuals shall be subject to the PRC income tax in respect of the interest income from the Notes. Any individual who has a domicile within the PRC or has no domicile but has stayed in the PRC for 183 days or more cumulatively within a tax year shall pay the income tax at 20% for any income sourced within and outside the PRC, and any individual who has no domicile in the PRC and has stayed in the PRC for less than 183 days cumulatively within a tax year shall pay the income tax at 20% for any income sourced in the PRC, unless otherwise provided in preferential taxation policies under special taxation arrangements. In addition, the tax so charged on the interest paid on the Notes to non-PRC holders which, or who, are residents of Hong Kong (including enterprises and individuals) for purposes of the avoidance of double taxation arrangement between the PRC and Hong Kong, will be 7% of the gross amount of the interest pursuant to the arrangement between the PRC and Hong Kong, if the non-PRC holders of the Notes are considered to be beneficial owners of the interest **provided that** the gains are not deemed as incurred or set mainly for obtaining such preferential taxation arrangement. In the event that the Bank or other domestic Issuers pay the interest on the Notes, the Bank or such domestic Issuers will be subject to the withheld PRC income tax on the payment of the interest on the Notes to the holders of the Notes as the Bank or such domestic Issuers are established within the territory of the PRC.

According to the Circular of Full Implementation of Business Tax to VAT Reform (《關於全面推開營業税改徵增值税試點的通知》) (Caishui [2016] No. 36, "**Circular 36**") promulgated by the Ministry of Finance and the State Administration of Taxation (the "**SAT**") on 23 March 2016, business tax was replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT. On 25 December 2024, the Standing Committee of the National People's Congress promulgated the PRC Value-Added Tax Law (《中華人民共和國增值税法》) ("**PRC VAT Law**"), which came into effect on 1 January 2026.

According to PRC VAT Law and Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC, but where the services are sold by offshore entities or individuals to onshore entities or individuals and such services purely take place outside the PRC, they should not be deemed as services sold within the territory of the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "**loans**" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "**loans**" under Circular 36, the issuance of Notes by a PRC issuer is likely to be treated as the holders of the Notes providing loans to such PRC issuer.

In the event that the Issuer is the Bank

In the event that the Issuer is the Bank, the Bank will be subject to withholding PRC income tax on the payment of interest of the Notes to non-resident Noteholders. The current rates of such income tax are 20% (for non-resident individuals) and 10% (for non-resident enterprises) of the gross amount of the interest, in each case, unless a lower rate is available under an applicable tax treaty. For example, the tax so charged on interests paid on the Notes to non-resident Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between the PRC and Hong Kong for purpose of the avoidance of double taxation will be 7% of the gross amount of the interest pursuant to such arrangement. Further, given that the Bank is located in the PRC, the holders of the Notes would be regarded as providing the financial services within the PRC and consequently, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC. The Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Notes*".

Under the PRC Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. If such gains are subject to PRC income tax, the 10% enterprise income tax rate and 20% individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

In the event that the Issuer is the Bank's Overseas Branches

In the event that the Issuer is an overseas branch of the Bank, the Issuer is not obliged to withhold PRC income tax at the rate up to 10% (for non-resident enterprises) or 20% (for non-resident individuals) on the payments of interest made by it to non-resident Noteholders **provided that** the payments are made outside of the territory of PRC and the Issuer is not held to be a PRC tax resident enterprise by PRC tax authorities. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the Issuer is a PRC tax resident or the interest on the Notes payable by the Issuer is treated as income sourced from the PRC, a withholding tax may be imposed on such interest and the Issuer will pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Notes*". In the case of issuance of Notes by an overseas branch of the Bank, PRC VAT Law and Circular 36 are unlikely to apply if the provision of loans by individuals or entities located outside the PRC takes place outside the PRC, but there is uncertainty as to the applicability of VAT as this will depend on how the PRC tax authorities interpret, apply or enforce the PRC VAT Law, Circular 36 and its implementation rules. If the Bank shall perform the obligation of paying interest of the Notes in the event and only when the Issuer fails to perform its obligations of paying the interest of the Notes, the Bank will

be obliged to withhold PRC income tax at a rate of 10% (for non-resident enterprises) or 20% (for non-resident individuals) (unless a lower rate is available under an applicable tax treaty) and if the holders of the Notes are regarded as providing the financial services within the PRC, PRC VAT and local levies.

Non-resident Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-resident Noteholders, except however, if such capital gains are determined as income sourced in the PRC, accordingly such capital gains would be subject to the rate of 10% (for non-resident enterprises) or 20% (for non-resident individuals) of PRC withholding tax unless there is a lower tax rate applicable. There is uncertainty as to whether gains realised on the transfer of the Notes by individual holders who are not PRC citizens or residents will be treated as income sourced within the PRC which as a result will be subject to PRC individual income tax.

Where a Noteholder who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically VAT prescribed under PRC VAT Law and Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC. PRC VAT Law and Circular 36 have been issued quite recently, the above statements on VAT may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of PRC VAT Law and Circular 36. Pursuant to the PRC Enterprise Income Tax Law and the VAT reform detailed above, the Issuer shall withhold enterprise income tax (if applicable) from the payments of interest in respect of the Notes for any non-PRC Noteholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of enterprise income tax or VAT otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes – Condition 8 (Taxation*)".

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(b) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(c) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(d) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, an authorised institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Based on the definition of "**deposit**" in the Banking Ordinance (Cap. 155) of Hong Kong and provided no prospectus involving the issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**"), the issue of the Notes by the Bank is likely to constitute a deposit to which the above exemption from payment will apply.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In addition, with effect from 1 January 2024, pursuant to various foreign-sourced income exemption legislation in Hong Kong (the "**FSIE Amendments**"), certain specified foreign-sourced income (including interest, dividend, disposal gain or intellectual property income, in each case, arising in or derived from a territory outside Hong Kong) accrued to an MNE entity (as defined in the FSIE Amendments) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The FSIE Amendments also provide for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp duty

Stamp duty will not be payable on the issue of Bearer Notes, **provided that** either:

(a) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong) (the "**SDO**").

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3% of the market value of the Bearer Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes **provided that** either:

(a) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(b) such Registered Notes constitute loan capital (as defined in the SDO).

With effect from 17 November 2023, if stamp duty applies to the transfer of Registered Notes required to be registered in Hong Kong and which are not otherwise exempt it will be payable at the rate of 0.2% (of which 0.1% is payable by the seller and 0.1% is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5.00 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

FATCA Withholding

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the People's Republic of China) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "**foreign passthru payments**" are filed with the U.S. Federal Register generally would be "**grandfathered**" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

PRC CURRENCY CONTROLS

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and out side the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. In July 2009, the PRC government promulgated Measures for the Administration of the Pilot Program of Renminbi Settlement of Cross-Border Trades (《跨境貿易人民幣結算試點管理辦法》) (the "**Measures**") and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (《關於擴大跨境貿易人民幣結算試點有關問題的通知》), pursuant to which (i) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (ii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). On 27 July 2011, the PRC government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (《關於擴大跨境貿易人民幣結算地區的通知》), pursuant to which the list of designated pilot districts was expanded to the whole country. On 3 February 2012, the PRC government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of Goods (《關於出口貨物貿易人民幣結算企業管理有關問題的通知》), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi. On 29 April 2019, the SAFE issued Administrative Measures for the Foreign Exchange Service of Payment Institutions (《支付機構外匯業務管理辦法》), which facilitates domestic institutions and individuals to carry out e-commerce trade through the internet, standardises the cross-border foreign exchange payment services provided by payment institutions, and prevents the risk of cross-border capital flows through the internet channel.

The Measures and the subsequent circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Measures and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filling with, the relevant PRC authorities.

Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint

venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 3 December 2013, the MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (《關於跨境人民幣直接投資有關問題的公告》) (the "**MOFCOM RMB FDI Circular**") which became effective on 1 January 2014. Pursuant to the MOFCOM RMB FDI Circular, the proceeds from foreign direct investment in Renminbi may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investment in PRC domestic listed companies under the PRC strategic investment regime with the approval of the MOFCOM pursuant to the Administrative Measures for Strategic Investment by Foreign Investors in Listed Companies (《外國投資者對上市公司戰略投資管理辦法》).

On 3 June 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (《中國人民銀行關於明確跨境人民幣業務相關問題的通知》) (the "**PBOC Circular**"). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, *inter alia*, requisite approval letters issued by the relevant MOFCOM authorities.

On 13 October 2011, the PBOC issued the Measures on Administration of the RMB Settlement in relation to Foreign Direct Investment (《外商直接投資人民幣結算業務管理辦法》) (the "**PBOC RMB FDI Measures**") and amended it on 5 June 2015, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular is no longer necessary. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures (《中國人民銀行關於明確外商直接投資人民幣結算業務操作細則的通知》) and amended it on 5 June 2015.

On 19 November 2012, the SAFE promulgated the Circular on Further Improving and Adjusting the Foreign Exchange Administration Policies on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Circular on DI**"), which became effective on 17 December 2012 and was amended on 4 May 2015, 10 October 2018 and 30 December 2019. According to the SAFE Circular on DI, the SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within China of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 5 July 2013, the PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (《關於簡化跨境人民幣業務流程和完善有關政策的通知》) (the "**2013 PBOC Circular**"), which simplifies the operating procedures on current account

cross-border Renminbi settlement, provision of Renminbi outbound loans and Renminbi cross-border security in favour of offshore entities by onshore non-financial institutions, and further published policies with respect to bank card related cross-border Renminbi clearing and issuance of offshore Renminbi bonds by onshore non-financial institutions. The 2013 PBOC Circular intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

To further optimize the management of foreign exchange business relating to capital account items, enhance the facilitation of cross-border investment and financing, and streamline relevant procedures, SAFE issued the Guidelines for Foreign Exchange Business for Capital Projects (2024 Edition) (《國家外匯管理局關於印發<資本項目外匯業務指引(2024年版)>的通知》), which came into effect on 6 May 2024.

On 26 December 2025, PBOC and SAFE jointly promulgated the Notice on Matters Concerning the Integrated Domestic and Foreign Currency Cash Pooling Business of Multinational Companies (《關於跨國公司本外幣一體化資金池業務有關事宜的通知》) to further facilitate the centralized management and utilization of funds by multinational enterprise groups. Under this notice, the integrated domestic and foreign currency cash pooling business of multinational companies are implemented on a nationwide basis.

On 20 March 2026, PBOC and SAFE jointly issued the Administrative Measures for Overseas Lending by Domestic Enterprises (《境內企業境外放款管理辦法》), which harmonize the regulatory regime governing Renminbi and foreign currency overseas lending by domestic enterprises. Pursuant to the measures, eligible domestic enterprises are permitted to extend cross-border financing to eligible overseas enterprises upon completion of applicable overseas lending registration.

There is no assurance that the PRC government will continue to gradually liberalise controls over cross-border Renminbi remittance in the future, that the pilot scheme introduced in July 2009 will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, the Bank will need to source Renminbi offshore to finance its obligations under the Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

CLEARANCE AND SETTLEMENT

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or the CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer nor the Arrangers take any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Neither the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.*

The relevant Pricing Supplement will specify the Clearing System(s) applicable for each Series.

THE CLEARING SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of Exchange Fund Bills and Notes Clearing and Settlement Service securities and capital markets instruments (together, "**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all financial institutions regulated by the Hong Kong Monetary Authority, Securities and Futures Commission, Insurance Authority or Mandatory Provident Fund Schemes Authority. For further details on the full range of the CMU's custodial services, please refer to the CMU Reference Manual.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "**income proceeds**") by CMU Members who are paying agents to the legal title holders of CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and noteholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual.

An investor holding an interest through an account with either Euroclear or Clearstream, in any Notes held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, each have with the CMU.

BOOK-ENTRY OWNERSHIP

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons may be deposited with a common depositary for Euroclear and/or Clearstream, a sub-custodian for the CMU or an Alternative Clearing System as agreed between the Issuer and the Dealer. Transfers of interests in such Temporary Global Notes or Permanent Global Notes will be made in accordance with the normal market debt securities operating procedures of the CMU, Euroclear and Clearstream or, if appropriate, the Alternative Clearing System.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate. The Issuer may also apply to have Registered Notes to be represented by a Global Certificate accepted for clearance through the CMU. Each Unrestricted Global Certificate will have an International Securities Identification Number ("**ISIN**") and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate through Euroclear, Clearstream or the CMU (if applicable).

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Pricing Supplement, and, in the case of Notes initially represented by a Restricted Global Certificate, in minimum amounts of U.S.$250,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.$1,000, in certain limited circumstances described below.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream and the CMU be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited.

Beneficial interests in a Global Certificate may be held through Euroclear, Clearstream or the CMU. In the case of Registered Notes to be cleared through Euroclear or Clearstream, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Notes **provided that** any such transfer made on or prior to the expiration of the distribution compliance period (as used in "**Subscription and Sale**") relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by any.

Transfer Agent of a written certificate from Euroclear, Clearstream, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such Unrestricted Global Certificate will only be made upon request through Euroclear, Clearstream by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying

Agent of details of that account to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear and Clearstream, as the case may be, to be credited and debited, respectively, with an interest in each relevant Global Certificate.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear, Clearstream will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

For a further description of restrictions on transfer of Registered Notes, see "*Transfer Restrictions*".

Individual Certificates

Registration of title to Registered Notes in a name other than the Hong Kong Monetary Authority or a depositary or its nominee for Clearstream and Euroclear will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form – Exchange – Permanent Global Certificates – Restricted Global Certificates*" or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in "*Summary of Provisions Relating to the Notes while in Global Form – Exchange – Permanent Global Certificates – Unrestricted Global Certificates*". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual Certificates; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the US secondary market generally are required to settle within three business days ("**T+3**"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is three business days prior to the relevant Issue Date should consult their own adviser.

SUBSCRIPTION AND SALE

DEALER AGREEMENT

Subject to the terms and on the conditions contained in an Eighth Amended and Restated Dealer Agreement dated 2 April 2026 (as may be supplemented, amended and/or restated from time to time) (the "**Dealer Agreement**") between the Bank, the Arrangers and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers as at the date of the Dealer Agreement. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten or subscribed for by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse each Arranger for certain of its expenses incurred in connection with the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

The Arrangers, the Dealers or any of their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**") and may have performed certain Banking Services or Transactions for the Issuer, the Bank and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time perform various Banking Services or Transactions for the Issuer, the Bank and/or their respective affiliates in the ordinary course of the Issuer's or the Bank's or their business for which they have received and will receive, fees and expenses. The Dealers or certain of their respective affiliates may purchase the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. In particular, CMB Wing Lung Bank Limited is a subsidiary of the Bank and China Merchants Securities (HK) Co., Limited is an affiliate of the Bank.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

In connection with the offer and sale of the Notes, the Issuer, the Bank, the Arrangers, the Dealers and/or their respective affiliates, may act as investors and place orders, receive allocations and trade the Notes for their own account and such orders, allocations or trading of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer or the Bank, and therefore, they may offer or sell the Notes or

other securities otherwise than in connection with the offering of the Notes. Accordingly, references herein to the offering of the Notes should be read as including any offering of the Notes to the Issuer, the Bank, the Arrangers, the Dealers and/or their respective affiliates as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Notes may be impacted.

Furthermore, it is possible that a significant proportion of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Notes may be constrained. The Issuer, the Bank, the Arrangers and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Arrangers, the Dealers and their respective affiliates make or hold a broad array of investments including proprietary interests in the Issuer or the Bank and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer or the Bank, including the Notes, and could adversely affect the trading price and liquidity of the Notes. The Arrangers, the Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer or the Bank, and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer or the Bank.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any EU MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "**X-orders**" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Notes. CMIs are informed that a private bank rebate may be payable as stated above and in the applicable Pricing Supplement, or otherwise notified to prospective investors.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Notes, private banks should disclose, at the same time, if such order is placed other than on a "**principal**" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "**principal**" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "**principal**" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "**proprietary orders**" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "**Associations**" (as used in the SFC Code);
- Whether any underlying investor order is a "**Proprietary Order**" (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Dealers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealer may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

SELLING RESTRICTIONS

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Notes is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Notes, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

United States

(1) If the Pricing Supplement for any Notes specifies that the applicable U.S. Selling Restrictions is "**Reg. S Category 1**", this paragraph shall apply. The Notes have not been and will not be registered under the Securities Act, and subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S.

(2) This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of their contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

(3) Unless the Pricing Supplement or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "**TEFRA C**" or "**TEFRA Not Applicable**", each Dealer has represented and agreed in relation to each Tranche of Notes in bearer form:

(i) except to the extent permitted under the TEFRA D Rules:

(a) it has not offered or sold, and during a 40-day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

(b) it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(ii) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

(iii) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code);

(iv) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (a) repeats and confirms the representations contained in sub-paragraphs (i), (ii) and (iii) on behalf of such affiliate or (b) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in sub-paragraphs (i), (ii) and (iii); and

(v) that it has not and agrees that it will not enter into any written contract (other than a confirmation or other notice of the transaction) pursuant to which any other party to the contract (other than one of its affiliates or another Dealer) has offered or sold, or during the restricted period will offer or sell, any Notes, except where pursuant to the contract the Dealer has obtained or will obtain from that party, for the benefit of the Issuer and the several Dealers, the representations contained in, and that party's agreement to comply with, the provisions of clauses (i), (ii), (iii) and (iv).

Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the TEFRA D Rules.

(4) To the extent that the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is "**TEFRA C**", under the TEFRA C Rules, Notes in bearer form must be issued and delivered outside the United States and its possessions in connection with their original issuance by an issuer that (directly or indirectly through its agents) does not significantly engage in interstate commerce with respect to the issuance. In relation to each such Tranche, each Dealer has represented and agreed that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, Notes in bearer form within the United States or its possessions in connection with their original issuance. Further, in connection with their original issuance of Notes in bearer form, it has not communicated, and shall not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions or otherwise involve its U.S. office in the offer or sale of Notes in bearer form. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the TEFRA C Rules.

(5) Each issuance of index-, commodity- or currency-linked Notes shall be subject to such additional U.S. selling restrictions as the relevant Dealer(s) shall agree with the Issuer as a term of the issuance and purchase or, as the case may be, subscription of such Notes. Each relevant Dealer has agreed that it shall offer, sell and deliver such Notes only in compliance with such additional U.S. selling restrictions.

(6) Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, if delivery of any Tranche of Notes will not occur within two business days following the date of pricing, purchasers who wish to trade such tranche of Notes on the date of pricing or the next succeeding business day will be required to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of any Tranche of Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

If the Pricing Supplement for any Notes specifies that the applicable U.S. Selling Restrictions is either "**Reg. S Category 2**" or "**Reg. S Category 3**", the following paragraphs shall apply in lieu of paragraph (1) above.

(A) The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has not offered, sold or, in the case of Notes in Bearer form, delivered and will not offer, sell or, in the case of Notes in Bearer form, deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the lead manager or lead managers, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

(B) Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder. Restrictions with respect to Notes in bearer form are described further below.

(C) The Dealer Agreement provides that the Dealers may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of Registered Notes within the United States only to QIBs in reliance on Rule 144A.

(D) In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

European Economic Area

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "**Prohibition of Sales to EEA Retail Investors**" as "**Not Applicable**", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the EEA. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or

(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restrictions under the Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies "**Prohibition of Sales to EEA Retail Investors**" as "**Not Applicable**", in relation to each Member State of the EEA, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, **provided that** any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(iii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

United Kingdom

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies the "**Prohibition of Sales to UK Retail Investors**" as "**Not Applicable**", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold, distributed or otherwise made available and will not offer, sell, distribute or otherwise make available any Notes which are the subject of this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom.

(a) the expression "**retail investor**" means a person who is either one (or both) of the following:

(i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018; or

(ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs, and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to buy or subscribe for the Notes.

If the Pricing Supplement in respect of any Notes specifies "**Prohibition of Sales to UK Retail Investors**" as "**Not Applicable**", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer:

(i) at any time where the offer is conditional on the admission of the Notes to trading on the London Stock Exchange plc's main market (in reliance on the exception in paragraph 6(a) of Schedule 1 to the POATRs);

(ii) at any time to any legal entity which is a qualified investor as defined in paragraph 15 of Schedule 1 to the POATRs;

(iii) at any time to fewer than 150 persons (other than qualified investors as defined in paragraph 15 of Schedule 1 to the POATRs) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;

(iv) at any time if the denomination per Note being offered amounts to at least GBP50,000 (or equivalent); or

(v) at any time in any other circumstances falling within Part 1 of Schedule 1 to the POATRs.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to buy or subscribe for the Notes and the expression "**POATRs**" means the Public Offers and Admissions to Trading Regulations 2024.

Other Regulatory Requirements in the United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "**structured product**" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (a) to "**professional investors**" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "**prospectus**" as defined in the C(WUMP)O or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "**professional investors**" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

PRC

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and will not offer or sell any of the Notes directly or indirectly in the PRC (for such purposes, not including Hong Kong, Macau SAR or Taiwan) or to residents of the PRC unless such offer or sale is made in compliance with all applicable laws and regulations of the PRC.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**").

Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

TRANSFER RESTRICTIONS

Each purchaser of Notes within the United States pursuant to Rule 144A will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

2. It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

3. It understands that such Notes, unless otherwise agreed between the Issuer and the Agents in accordance with applicable law, will bear a legend to the following effect:

   THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

4. The Issuer, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

5. It understands that the Notes offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

To the extent the Pricing Supplement or the Subscription Agreement relating to one or more Tranches of Notes specifies that "**Reg. S Category 2**" or "**Reg. S Category 3**" applies, each purchaser of Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

2. It understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

3. The Issuer, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

4. It understands that the Notes offered in reliance on Regulation S will be represented by the Unrestricted Global Certificate. Prior to the expiration of the distribution compliance period, before any interest in the Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

GENERAL INFORMATION

1. **Clearing Systems:** The Notes may be accepted for clearance through the Euroclear and Clearstream systems (which are the entities in charge of keeping the records). The Issuer may also apply to have Notes accepted for clearance through the CMU. The relevant CMU instrument number will be set out in the relevant Pricing Supplement. The relevant ISIN, the Common Code, the CUSIP number and (where applicable) the identification number for any other relevant clearing system for each series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be set out in the relevant Pricing Supplement.

   The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.

2. **Listing:** Application has been made to the HKSE for the listing of the Programme for the 12-month period after the date of this Offering Circular on the HKSE under which Notes may be issued by way of debt issues to Professional Investors only, as described in this Offering Circular. Separate application may be made for the listing of the Notes on the HKSE or other stock exchange(s). Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and if so, on which stock exchange(s).

3. **Litigation:** Save as disclosed in this Offering Circular, none of the Bank nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings, nor is the Issuer or any of its subsidiaries aware that any such proceedings are pending or threatened, which are or might be material in the context of the issue of the Notes.

4. **Authorisations:** The Bank has obtained all necessary consents, approvals and authorisations as may be required in connection with the establishment and updates of the Programme and the issue of this Offering Circular. The establishment and updates of the Programme and the issue of Notes thereunder have been duly authorised by resolutions of the Board of Directors of the Bank dated 28 March 2012, 13 March 2015, 21 March 2017 and 18 March 2020, and resolutions of the Bank's shareholder general meeting dated 30 May 2012, 19 June 2015, 26 May 2017 and 23 June 2020, respectively. The Issuer has agreed to obtain from time to time all necessary internal consents, approvals and authorisations for the issue of Notes under the Programme. The Bank shall obtain approvals from the NDRC, the PBOC, the SAFE and the PRC Banking Regulatory Authority (as applicable) in connection with its issuance of the Notes as the Issuer and the repayment of the principal and/or interest of the Notes by the Bank may be adversely affected in the event any required registration is not obtained.

5. **No Material Adverse Change:** Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Bank or of the Group since 31 December 2025 and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2025.

6. **Available Documents:** For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the registered office of the Issuer and at the specified office of the Fiscal Agent:

   (a) the articles of association of the Bank;

   (b) the consolidated financial statements of the Bank as at and for the years ended 31 December 2024 and 2025 and a copy of the auditor's reports of Ernst & Young, Certified Public Accountants, the Bank's current independent auditor;

   (c) copies of the most recent annual and interim reports (including the financial statements) published by the Bank;

(d) the Fifth Amended and Restated Agency Agreement (which includes the form of the Global Notes, the Global Certificate, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons) dated 5 June 2023 and the Third Amended and Restated Deed of Covenant dated 5 June 2023;

(e) a copy of this Offering Circular together with any supplement to this Offering Circular or further Offering Circular;

(f) each Pricing Supplement (save that Pricing Supplement relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area or the United Kingdom nor offered in the European Economic Area or the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity).

7. **Auditor**: Ernst & Young, Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance, has audited the consolidated financial statements of the Bank for the years ended 31 December 2024 and 2025 as stated in its auditor's reports included elsewhere in this Offering Circular.

8. Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "**Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code**".

9. The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

10. **NDRC Approval**:

The Notes will be issued in accordance with either (i) the pre-issuance filing and registration with the NDRC to obtain the Enterprise Foreign Debt Examination and Registration Certificate (企業借用外債審核登記證明) prior to the issuance of the Notes under the Programme pursuant to the NDRC Administrative Measures, or (ii) the then applicable annual foreign debt quota granted by the NDRC to the Bank for any issuance of the Notes pursuant to the NDRC Administrative Measures.

In the case of (i), the Bank will make a pre-issuance registration with the NDRC, followed by post-issuance filings with the NDRC within the prescribed time following issuance of the Notes. In the case of (ii), the Bank is able to rely on such annual foreign debt quota granted by the NDRC and is not required to make any pre-issuance registration for issuance of the Notes within the annual foreign debt quota with the NDRC. However, the Bank will be required to make post-issuance filings with the NDRC within the prescribed time following issuance of the Notes and to provide the requisite information on the issuance of such Notes to the NDRC within the time period as required by the NDRC in accordance with the NDRC Administrative Measures.

11. The Legal Entity Identifier of the Bank is 549300MKO5B60FFIHF58.

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(1) The independent auditor's reports on the Bank's consolidated financial statements as at and for the years ended 31 December 2024 and 2025 set out herein are reproduced from the Bank's annual reports as at and for the years ended 31 December 2024 and 2025. Page references contained in such independent auditor's reports refer to pages set out in such annual reports.

Independent Auditor's Report

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To the shareholders of China Merchants Bank Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 160 to 301, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants ("the Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter

Expected credit loss of loans and advances to customers

The measurement of expected credit loss (ECL) of loans and advances to customers measured at amortised cost and at fair value through other comprehensive income involves the use of numerous models, significant judgments and assumptions. For example,

- Significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgemental, and may have a significant impact on expected credit losses for loans and advances to customers measured with longer outstanding maturities.

- Models and parameters – Complex models, numerous inputs and parameters, including probability of default, loss given default, exposure at default, and risk grouping, are used to measure expected credit losses, involving plenty of management judgements and assumptions.

- Forward-looking information – The measurement of expected credit losses requires consideration of forward-looking information. The forecast of macro-economic and consideration of the impact of multiple probability-weighted macro-economic scenarios on expected credit losses, involving significant judgments and assumptions.

- Whether financial assets are credit-impaired – The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows.

We evaluated and tested the design and operating effectiveness of key controls over measurement of expected credit losses, including relevant data quality and information systems.

We adopted a risk-based sampling approach in our loan review procedures, focusing on the asset quality of key areas such as industries that are significantly affected by macroeconomic changes. We assessed the debtors' repayment capacity and evaluated the Group's judgement in rating loans, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information.

With the support of our modelling specialists, our audit procedures in respect of the expected credit loss model, key parameters, and management's significant judgements and assumptions included the following:

(1) Expected credit loss model:

- We reviewed the documentation of the methodology of ECL model. Taking into account results of validation and enhancement of ECL model, we assessed the reasonableness of ECL model methodology and related parameters, including probability of default, loss given default, exposure at default, risk grouping, forward-looking information and whether there had been a significant increase in credit risk;

- We reviewed the validation reports of ECL model and relevant documents to evaluate the reasonableness of validation approach, completeness of validation scope, and appropriateness of validation conclusion;

- In respect of the internal credit risk rating parameters used in ECL model, we understood the credit risk internal rating system and methodology. We also reviewed the validation reports of internal credit risk rating model and selected samples to evaluate the reasonableness of internal credit rating data;

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit loss of loans and advances to customers *(continued)* As at 31 December 2024, total loans and advances to customers measured at amortised cost and at fair value through other comprehensive income amounted to RMB6,852,555 million, accounting for 56.39% of total assets. Allowances for impairment losses of such loans and advances totalled RMB270,301 million. As the measurement of expected credit losses involves numerous significant judgements and assumptions, we consider expected credit losses for loans and advances to customers a key audit matter. Relevant disclosures are included in Notes 4(5), 5(4), 22 and 60(a) of the consolidated financial statements.	(1) Expected credit loss model: *(continued)* • We assessed the reasonableness of the selection of macro-economic variables, the determination and weighting of multiple macro-economic scenarios, and the forward-looking adjustments. We assessed the reasonableness of the forecasts of key macro-economic variables by comparing to forecasts of external authoritative institutions; • We selected samples to verify whether the calculation logic and calculation results of the ECL model are consistent with the model methodology, and assessed the accuracy of ECL model data inputs; • We assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we selected samples to evaluate the reasonableness of the amount, timing and probability of management's estimated future cash flows, especially recoverable cash flows from collaterals. (2) Design and operating effectiveness of key controls: • With the support of our IT audit specialists, we evaluated and tested the data and system function related to the measurement of expected credit losses, including the data computation, data inputs and system interfaces of the impairment assessment system; • We evaluated and tested key controls over the management, implementation and monitoring of expected credit losses approach, including ongoing monitoring of model performance, model validation, model enhancement, approval of important models and key parameters. We checked and assessed the appropriateness of the consolidated financial statement disclosures in relation to the measurement of expected credit loss in the context of applicable accounting framework.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities	
The Group holds interests in many different structured entities as a result of its business activities in financial investments, asset management and asset securitization. Such interests in structured entities mainly include wealth management products, asset management plans, trust plans, asset-backed securities and funds. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation. The determination of control over structured entities requires significant judgements regarding multiple factors. These encompass: the purpose and design of the structured entities; the Group's capacity to direct their relevant activities; both direct and indirect beneficial interests and returns; performance-based management fees; as well as gains or losses arising from providing credit enhancements or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment of structured entities a key audit matter. Relevant disclosures are included in Note 4(1), Note 5(1) and Note 64 to the consolidated financial statements.	We understood, evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity. We reviewed the Group's analysis, which was made on the basis of a comprehensive consideration of all relevant facts and circumstances, including the power over the structured entities, the magnitude and variability of the variable returns obtained from the structured entities, and the linkage between these two aspects, to assess the Group's judgement and conclusion on whether it controls the structured entities. We understood the purpose for establishing the structured entities and reviewed of the relevant contractual documents, on a sampling basis. Taking into account the liquidity support, credit enhancement, and other relevant circumstances provided by the Group to structured entities initiated by itself such as wealth management products, we analyzed whether the Group has legal or constructive obligations to ultimately absorb losses from these entities. We assessed the appropriateness of management's judgement on the consolidation of structured entities to the consolidated financial statements. We checked and assessed the appropriateness of the consolidated financial statement disclosures in relation to the consolidation of structured entities in the context of applicable accounting framework.

Other information included in the Annual Report

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Benny Bing Yin Cheung.

Ernst & Young

Certified Public Accountants

Hong Kong

25 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2024	2023
Interest income	6	**374,271**	375,610
Interest expense	7	**(162,994)**	(160,941)
Net interest income		**211,277**	214,669
Fee and commission income	8	**81,040**	92,834
Fee and commission expense		**(8,946)**	(8,726)
Net fee and commission income		**72,094**	84,108
Other net income	9	**51,118**	37,825
– Disposal of financial instruments at amortised cost		**4,045**	967
Operating income		**334,489**	336,602
Operating expenses	10	**(117,650)**	(120,991)
Operating profit before impairment losses and taxation		**216,839**	215,611
Expected credit losses	14	**(39,976)**	(41,278)
Impairment losses on other assets		**(843)**	(191)
Share of profits of joint ventures	25	**1,713**	1,860
Share of profits of associates	26	**919**	616
Profit before taxation		**178,652**	176,618
Income tax	15	**(29,093)**	(28,612)
Profit for the year		**149,559**	148,006
Attributable to:			
Equity holders of the Bank		**148,391**	146,602
Non-controlling interests		**1,168**	1,404
Earnings per share			
Basic and diluted (RMB Yuan)	17	**5.66**	5.63

The notes form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2024	2023
Profit for the year		**149,559**	148,006
Other comprehensive income for the year after tax			
Items that may be reclassified subsequently to profit or loss		**23,770**	2,373
– Share of other comprehensive income/(expense) from equity-accounted investees		**2,452**	202
– Net fair value gain/(loss) on debt instruments measured at fair value through other comprehensive income		**16,423**	3,337
– Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**3,000**	(2,045)
– Net movement in cash flow hedge reserve		**(36)**	(59)
– Exchange difference on translation of financial statements of foreign operations		**1,931**	983
– Other		**–**	(45)
Items that will not be reclassified to profit or loss		**2,923**	358
– Net fair value gain on equity instruments designated at fair value through other comprehensive income		**2,903**	354
– Remeasurement of defined benefit scheme		**20**	4
Other comprehensive income for the year, net of tax	16	**26,693**	2,731
Attributable to:			
Equity holders of the Bank		**26,571**	2,658
Non-controlling interests		**122**	73
Total comprehensive income for the year		**176,252**	150,737
Attributable to:			
Equity holders of the Bank		**174,962**	149,260
Non-controlling interests		**1,290**	1,477

The notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2024

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2024	2023
Assets			
Cash		**16,622**	14,931
Precious metals		**9,415**	2,321
Balances with central banks	18	**557,443**	667,871
Balances with banks and other financial institutions	19	**220,231**	100,769
Placements with banks and other financial institutions	20	**408,955**	287,694
Amounts held under resale agreements	21	**271,329**	172,246
Loans and advances to customers	22	**6,632,548**	6,252,755
Financial investments at fair value through profit or loss	23(a)	**617,018**	526,145
Derivative financial assets	60(f)	**32,533**	18,733
Debt investments at amortised cost	23(b)	**1,941,580**	1,749,024
Debt investments at fair value through other comprehensive income	23(c)	**1,092,127**	899,102
Equity investments designated at fair value through other comprehensive income	23(d)	**22,315**	19,649
Interests in joint ventures	25	**19,310**	15,707
Interests in associates	26	**11,705**	10,883
Investment properties	27	**1,117**	1,160
Property and equipment	28	**128,761**	115,348
Right-of-use assets	29(a)	**16,890**	17,041
Intangible assets	30	**2,196**	2,709
Goodwill	31	**9,954**	9,954
Deferred tax assets	32	**83,674**	90,557
Other assets	33	**56,313**	53,884
Total assets		**12,152,036**	11,028,483

The notes form part of these consolidated financial statements.

	Notes	2024	2023
Liabilities			
Borrowing from central banks		**189,934**	378,621
Deposits from banks and other financial institutions	34	**699,975**	508,378
Placements from banks and other financial institutions	35	**235,376**	247,299
Financial liabilities at fair value through profit or loss	36	**67,461**	43,958
Derivative financial liabilities	60(f)	**31,583**	17,443
Amounts sold under repurchase agreements	37	**84,042**	135,078
Deposits from customers	38	**9,195,329**	8,240,498
Salaries and welfare payable	39(a)	**34,512**	28,679
Tax payable	40	**11,713**	13,597
Contract liabilities	41	**4,193**	5,486
Lease liabilities	29(b)	**12,778**	12,675
Provisions	42	**16,762**	19,662
Debt securities issued	43	**222,921**	176,578
Deferred tax liabilities	32	**1,592**	1,607
Other liabilities	44	**110,390**	113,195
Total liabilities		**10,918,561**	9,942,754
Equity			
Share capital	45	**25,220**	25,220
Other equity instruments	46	**180,446**	150,446
– Preference shares	46(a)	**27,468**	27,468
– Perpetual bonds	46(b)	**152,978**	122,978
Capital reserve	47	**65,429**	65,432
Investment revaluation reserve	48	**38,385**	13,656
Hedging reserve	49	**56**	92
Surplus reserve	50	**122,652**	108,737
General reserve	51	**154,932**	141,481
Retained earnings		**583,638**	518,638
Proposed profit appropriation	52(b)	**50,440**	49,734
Exchange reserve	53	**4,816**	2,934
Total equity attributable to shareholders of the Bank		**1,226,014**	1,076,370
Non-controlling interests		**7,461**	9,359
– Non-controlling interest		**7,461**	6,521
– Perpetual debt capital	62(a)	**–**	2,838
Total equity		**1,233,475**	1,085,729
Total equity and liabilities		**12,152,036**	11,028,483

The notes form part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 25 March 2025.

Miao Jianmin
Director

Wang Liang
Director

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2024

(Expressed In Millions Of Renminbi Unless Otherwise Stated)

		2024														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2024		25,220	27,468	122,978	65,432	13,656	92	108,737	141,481	518,638	49,734	2,934	1,076,370	6,521	2,838	1,085,729
Changes in equity for the year		–	–	30,000	(3)	24,729	(36)	13,915	13,451	65,000	706	1,882	149,644	940	(2,838)	147,746
(a) Net profit for the year		–	–	–	–	–	–	–	–	148,391	–	–	148,391	1,075	93	149,559
(b) Other comprehensive income for the year	16	–	–	–	–	24,725	(36)	–	–	–	–	1,882	26,571	74	48	26,693
Total comprehensive income for the year		–	–	–	–	24,725	(36)	–	–	148,391	–	1,882	174,962	1,149	141	176,252
(c) Capital movement from equity holders		–	–	30,000	(3)	–	–	–	–	–	–	–	29,997	75	(2,886)	27,186
(i) Increase in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	75	–	75
(ii) Issue of perpetual bonds	46(b)	–	–	30,000	(3)	–	–	–	–	–	–	–	29,997	–	–	29,997
(iii) Redemption of perpetual debt capital	62	–	–	–	–	–	–	–	–	–	–	–	–	–	(2,886)	(2,886)
(d) Profit appropriations		–	–	–	–	–	–	13,915	13,451	(83,387)	706	–	(55,315)	(284)	(93)	(55,692)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	13,915	–	(13,915)	–	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	13,451	(13,451)	–	–	–	–	–	–
(iii) Dividends paid for the year 2023	52(a)	–	–	–	–	–	–	–	–	–	(49,734)	–	(49,734)	(284)	–	(50,018)
(iv) Distribution to perpetual debt capital	62	–	–	–	–	–	–	–	–	–	–	–	–	–	(93)	(93)
(v) Proposed dividends for the year 2024	52(b)	–	–	–	–	–	–	–	–	(50,440)	50,440	–	–	–	–	–
(vi) Dividends to preference shares		–	–	–	–	–	–	–	–	(996)	–	–	(996)	–	–	(996)
(vii) Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(4,585)	–	–	(4,585)	–	–	(4,585)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	4	–	–	–	(4)	–	–	–	–	–	–
At 31 December 2024		25,220	27,468	152,978	65,429	38,385	56	122,652	154,932	583,638	50,440	4,816	1,226,014	7,461	–	1,233,475

The notes form part of these consolidated financial statements.

		2023														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2023		25,220	27,468	92,978	65,435	11,815	151	94,985	132,471	449,139	43,832	2,009	945,503	5,948	2,787	954,238
Changes in equity for the year		–	–	30,000	(3)	1,841	(59)	13,752	9,010	69,499	5,902	925	130,867	573	51	131,491
(a) Net profit for the year		–	–	–	–	–	–	–	–	146,602	–	–	146,602	1,222	182	148,006
(b) Other comprehensive income for the year	16	–	–	–	–	1,792	(59)	–	–	–	–	925	2,658	22	51	2,731
Total comprehensive income for the year		–	–	–	–	1,792	(59)	–	–	146,602	–	925	149,260	1,244	233	150,737
(c) Capital movement from equity holders		–	–	30,000	(3)	–	–	–	–	–	–	–	29,997	(383)	–	29,614
(i) Decrease in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	(383)	–	(383)
(ii) Issue of perpetual bonds	46(b)	–	–	30,000	(3)	–	–	–	–	–	–	–	29,997	–	–	29,997
(d) Profit appropriations		–	–	–	–	–	–	13,752	9,010	(77,054)	5,902	–	(48,390)	(288)	(182)	(48,860)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	13,752	–	(13,752)	–	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	9,010	(9,010)	–	–	–	–	–	–
(iii) Dividends paid for the year 2022	52(a)	–	–	–	–	–	–	–	–	–	(43,832)	–	(43,832)	(288)	–	(44,120)
(iv) Distribution to perpetual debt capital	62	–	–	–	–	–	–	–	–	–	–	–	–	–	(182)	(182)
(v) Proposed dividends for the year 2023	52(b)	–	–	–	–	–	–	–	–	(49,734)	49,734	–	–	–	–	–
(vi) Dividends to preference shares		–	–	–	–	–	–	–	–	(996)	–	–	(996)	–	–	(996)
(vii) Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(3,562)	–	–	(3,562)	–	–	(3,562)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	49	–	–	–	(49)	–	–	–	–	–	–
At 31 December 2023		25,220	27,468	122,978	65,432	13,656	92	108,737	141,481	518,638	49,734	2,934	1,076,370	6,521	2,838	1,085,729

The notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

(Expressed in millions of Renminbi unless otherwise stated)

	2024	2023
Operating activities		
Profit before taxation	**178,652**	176,618
Adjustments for:		
– Impairment losses on loans and advances	**43,608**	46,635
– Impairment losses on investments and other	**(2,789)**	(5,166)
– Unwinding of discount on loans and advances	**(223)**	(257)
– Depreciation of property and equipment and investment properties	**11,454**	11,008
– Depreciation of right-of-use assets	**4,107**	4,205
– Amortisation of other assets	**925**	1,170
– Net gains on debt securities and equity investments	**(26,024)**	(18,149)
– Interest income on investments	**(84,924)**	(80,836)
– Interest expense on issued debt securities	**7,656**	7,781
– Share of profits of associates	**(919)**	(616)
– Share of profits of joint ventures	**(1,713)**	(1,860)
– Net gains on disposal of properties and equipment and other assets	**(249)**	(168)
– Interest expense on lease liabilities	**457**	480
Changes in:		
Balances with central banks	**14,860**	(5,004)
Loans and advances to customers	**(432,133)**	(482,711)
Other assets	**20,925**	817
Deposits from customers	**941,149**	619,696
Amounts due to banks and other financial institutions	**129,098**	(69,249)
Amounts due from banks and other financial institutions with original maturity over 3 months	**(160,145)**	(13,744)
Borrowing from central banks	**(187,678)**	247,751
Other liabilities	**21,479**	(45,862)
Cash generated from operating activities before income tax payment	**477,573**	392,539
Income tax paid	**(30,550)**	(34,786)
Net cash generated from operating activities	**447,023**	357,753
Investing activities		
Proceeds from disposals and redemptions of investments	**2,045,080**	1,954,061
Investment income received	**113,717**	97,963
Proceeds from the disposals of property and equipment and other assets	**10,757**	4,950
Proceeds from the disposals of subsidiaries, associates or joint ventures	**416**	154
Payment for the purchases of investments	**(2,427,328)**	(2,282,035)
Payment for the acquisition of subsidiaries, associates or joint ventures	**(571)**	(39)
Payment for the purchases of property and equipment and other assets	**(34,930)**	(30,161)
Net cash used in investing activities	**(292,859)**	(255,107)

The notes form part of these consolidated financial statements.

	Notes	2024	2023
Financing activities			
Proceeds from the issuance of negotiable interbank certificates of deposit	55(b)	**155,569**	68,608
Proceeds from the issuance of certificates of deposit and other debt securities	55(b)	**61,462**	66,504
Proceeds from the issuance of debt securities	55(b)	**24,995**	25,201
Proceeds from the issuance of perpetual bonds		**29,997**	29,997
Proceeds from other financing activities	55(b)	**9,947**	17,303
Repayment of negotiable interbank certificates of deposit	55(b)	**(90,160)**	(112,584)
Repayment of certificates of deposit and other debt securities	55(b)	**(49,187)**	(48,267)
Repayment of debt securities	55(b)	**(59,989)**	(51,146)
Payment for lease liabilities	55(b)	**(4,793)**	(5,053)
Payment for redemption of perpetual debt capital		**(2,886)**	–
Distribution paid on perpetual debt capital	55(b)	**(93)**	(182)
Payment for dividends distribution	55(b)	**(50,018)**	(44,120)
Distribution paid on preference shares	55(b)	**(996)**	(996)
Distribution paid on perpetual bonds	55(b)	**(4,585)**	(3,562)
Interest paid on financing activities	55(b)	**(5,339)**	(7,482)
Payment for other financing activities	55(b)	**(11,775)**	(7,210)
Net cash used in financing activities		**2,149**	(72,989)
Net increase in cash and cash equivalents		**156,313**	29,657
Cash and cash equivalents as at 1 January		**599,019**	567,198
Effect of foreign exchange rate changes		**1,195**	2,164
Cash and cash equivalents as at 31 December	55(a)	**756,527**	599,019
Cash flows from operating activities include:			
Interest received		**288,626**	293,467
Interest paid		**142,636**	121,178

The notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

(Expressed in millions of Renminbi unless otherwise stated)

1. Organisation and principal activities

(1) Organisation

China Merchants Bank Co., Ltd. (the "Bank") is a commercial bank established in Shenzhen, the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission (the "CSRC") of the PRC, the A-Shares of the Bank were listed on Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank's H-Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx").

As at 31 December 2024, apart from the Head Office, the Bank had 51 branches in the mainland China, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has two representative offices in New York and Taipei.

(2) Principal activities

The principal activities of the Bank and its subsidiaries (the "Group") are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

2. Basis of preparation of consolidated financial statements

(1) Statement of compliance and basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and its interpretations promulgated by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of measurement

These consolidated financial statements are presented in Renminbi ("RMB") and unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(15).

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period and the measurement principles as explained below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

2. Basis of preparation of consolidated financial statements *(continued)*

(2) Basis of measurement *(continued)*

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the future periods are discussed in Note 5.

3. Application of new and amendments to IFRS ACCOUNTING STANDANDS

Amendments to IFRS Accounting Standards effective in current year applied by the Group

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial position and performance for the current and prior years or on the disclosures set out in these consolidated financial statements.

Standards and amendments to IFRS Accounting Standards that are issued but not yet effective and have not been adopted by the Group

		Effective for annual period beginning on or after
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	the date to be determined

3. Application of new and amendments to IFRS ACCOUNTING STANDANDS *(continued)*

Standards and amendments to IFRS Accounting Standards that are issued but not yet effective and have not been adopted by the Group *(continued)*

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

The standards and amendments to IFRS Accounting Standards except IFRS 18 mentioned above are not expected to have material impact on the consolidated financial statements in the foreseeable future.

4. Material accounting policy information

The Group establishes its accounting policies and estimates in accordance with the specific characteristics of its business operations, as further elaborated in the relevant notes.

In assessing the materiality of financial information, the Group evaluates both the nature and magnitude of financial statement items within its operational context. For qualitative materiality judgements, it considers whether an item arises from ordinary business activities or significantly impacts the Group's financial position, operating results, or cash flows. For quantitative assessments, the Group examines the item's proportional weight relative to total assets, total liabilities, shareholders' equity, operating revenue, operating costs, or net profit.

(1) Business combination

Financial statements include financial statements of the Bank and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. If the intra-group transaction indicates that the relevant assets have impairment losses, the losses shall be recognised in full.

When necessary, adjustments are made by the Group to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Bank. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the net profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Bank.

4. Material accounting policy information *(continued)*

(1) Business combination *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see Note 4(2)) or, an associate (see Note 4(3)).

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities or assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities or assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognised in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially recognised at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

4. Material accounting policy information *(continued)*

(2) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When judging whether there is a joint control, the Group usually considers the following cases:

– whether any party within the joint arrangement cannot control the relevant activities of the joint ventures;

– whether the decisions about the joint ventures' relevant activities require the unanimous consent of the parties sharing control.

The consolidated statement of profit or loss includes the Group's share of the results of joint ventures for the year and the consolidated statement of financial position includes the Group's share of the net assets of the joint ventures.

Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the joint ventures' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes post-tax results of the joint ventures for the year, including any impairment loss on goodwill relating to the investment in the joint ventures recognised for the year (see Notes 4(4) and 4(10)).

When the Group's share of losses exceeds its interest in the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. For these purposes, the Group's interest in the joint ventures is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the joint ventures.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have joint control over a joint venture and has no significant influence on it, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

(3) Associates

Associate is an entity in which the Group has significant influence, but not control, or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

When judging whether there is any significant influence, the Group usually considers the following cases:

– representation on the Board of Directors or equivalent governing body of the investee;

– participation in policy-making processes;

– material transactions between the entity and its investee.

Investments in associates are accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associates' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes the Group's post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in the associates recognised for the year (see Notes 4(4) and 4(10)).

4. Material accounting policy information *(continued)*

(3) Associates *(continued)*

When the Group's share of losses exceeds its interest in the associates, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates. For these purposes, the Group's interest in the associates is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the associates.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

(4) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest based on the fair value of net assets acquired in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination and tested at least annually for impairment (see Note 4(10)).

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(5) Financial instruments

Initial recognition

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

At initial recognition, financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When determining the effective interest rate, the Group estimates the future cash flow on the basis of considering all contract terms of financial assets or financial liabilities, but does not consider the expected credit loss.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial assets

The Group classifies its financial assets into the following measurement categories at initial recognition: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment, which is not held for trading, in other comprehensive income ("OCI").

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at amortised cost

Financial assets measured at amortised cost are subsequently measured with the effective interest method, and the gains or losses arising from amortisation or impairment are recognised in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if debt instruments had been measured at amortised cost. When debt instruments are derecognised, the cumulative gains or losses previously recognised in investment revaluation reserve are reclassified to profit or loss.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments which are not held for trading as at FVTOCI. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other net income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes fair value gains or losses, any dividend or interest earned on the financial asset, and is included in "other net income".

Impairment under ECL model

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment under IFRS 9 *Financial Instruments*, including financial assets at amortised cost, debt instrument assets at fair value through other comprehensive income, leases receivable, loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group assesses the ECL of financial assets with forward-looking information. 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessment are done based on the factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For the above financial instruments that apply the ECL model, except for the purchased or originated credit-impaired financial assets, an assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by the Group to determine whether to recognise lifetime ECL. When the credit risk of these financial instruments does not increase significantly after the initial recognition, the Group recognises a loss allowance for the financial instrument at an amount equal to 12-month ECL; in the event of a significant increase in credit risk, the Group recognises a loss allowance at an amount equal to lifetime ECL. The Group recognises the loss allowance of receivables that result from transactions that are within the scope of IFRS 15 *Revenue from contracts with customers* at an amount equal to lifetime ECL.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The assessment of whether the credit risk has increased significantly is detailed in Note 60(a).

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Impairment under ECL model *(continued)*

Credit-impaired financial assets

The Group defines whether there is credit impairment based on the internal evaluation results of the credit risk management system for relevant financial assets. The Group considers that financial assets have been credit impaired when its loan classification is substandard, doubtful or loss or is more than 90 days overdue.

Measurement and recognition of ECL

ECL is measured based on the probability of default, loss given default and the exposure at default. The measurement and recognition of ECL are detailed in Note 60(a).

Generally, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected credit losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, ECL is the present value of the difference between the contractual cash flows that are due to the Group:

- if the holder of the loan commitments draws down the loan, and
- the cash flows that the Group expects to receive if the loan is drawn down.

The loss allowance for loan commitments and financial guarantee contracts is recognised in profit or loss and accumulated in provisions. As for debt instruments measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these financial assets. The loss allowance for other financial assets which are subject to impairment under IFRS 9 *Financial Instruments* is recognised in profit or loss through a loss allowance account.

Classification and measurement of financial liabilities

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading (including derivatives belonging to financial liabilities) or (ii) designated as at FVTPL. Except for hedging accounting, financial liabilities measured at FVTPL are subsequently measured at fair value and all changes in fair value are recognised in profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial liabilities *(continued)*

Financial liabilities at FVTPL *(continued)*

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 *Financial Instruments* permits the entire combined contract to be designated as at FVTPL.

Other financial liabilities

Except for financial liabilities at FVTPL, financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or by continued involvement in transferred financial assets, financial guarantee contract and loan commitment, other financial liabilities are classified as financial liabilities at amortised cost, which are subsequently measured at amortised cost and the gains or losses arising from derecognition or amortisation are included in profit or loss.

Hedge accounting

At the inception of a hedging relationship, the Group designates the hedging arrangement and prepares written documentation outlining the hedging relationship, risk management objectives, and risk management strategies. This documentation specifies the hedging instrument, hedged item, nature of the hedged risk, and the Group's methodology for assessing hedge effectiveness. Hedge effectiveness refers to the extent to which changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item attributable to the hedged risk. The Group are continuously assessed hedging relationships for compliance with hedge effectiveness requirements, both at initial designation and in subsequent periods.

Fair value hedge

The gains or losses on the hedging instrument are recognised in consolidated statement of profit or loss. When the hedging for the risk exposure relates to an non-trading equity instrument designated as at FVTOCI, the gains or losses on the hedging instrument are recognised in other comprehensive income.

The carrying amount of the hedged item not already measured at fair value is adjusted for the gain or loss attributable to the risk being hedged and is taken to consolidated statement of profit or loss. The adjustment to the carrying amount of the hedged item is based on a recalculated effective interest rate at the date that amortisation begins and shall be amortised to consolidated statement of profit or loss if the hedged item is a financial instrument measured at amortised cost. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for hedging gains and losses. If the hedged item is debt instruments measured at FVTOCI, the amounts previously recorded as cumulative adjustments of hedging gains or losses are amortised in similar method and recognised in the consolidated statement of profit or loss. The carrying amount of the hedged item is not adjusted.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Hedge accounting *(continued)*

Cash flow hedge

The effective portions of changes in the fair value of derivatives that are designated and qualified as cash flow hedge are recognised in other comprehensive income and accumulated separately in hedging reserve. Any gain or loss relating to an ineffective portion is recognised immediately in the consolidated statement of profit or loss.

For cash flow hedge of a recognised asset or liability, the associated cumulative gain or loss is reclassified from hedging reserve to the consolidated statement of profit or loss in the same period during which the hedged cash flows affect profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss at that time remains in hedging reserve until the forecast transaction is ultimately recognised in the consolidated statements of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss is immediately reclassified to the consolidated statement of profit or loss.

Hedge effectiveness testing

The Group has elected to adopt the general hedge accounting in IFRS 9 *Financial Instruments*. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

If the hedging instrument has expired, been sold, terminated, or exercised (provided that a rollover or replacement that forms part of the hedging strategy is not treated as expiration or termination), or if changes in risk management objectives result in the hedging relationship no longer meeting the risk management objectives, or if the hedge no longer satisfies other criteria for hedge accounting, the Group discontinues the application of hedge accounting.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Specific items

Cash equivalents

Cash equivalents comprise investments that are short term, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value, and unrestricted balances with the central banks, banks and other financial institutions, and amounts held under resale agreements, with original maturity of 3 months or less.

Balances and placements with banks and other financial institutions

Banks refer to those institutions approved by the People's Bank of China ("PBOC") and other authorities. Other financial institutions represent finance companies, insurance companies, investment trust companies and leasing companies which are registered with the National Financial Regulatory Administration ("NFRA") and under the supervision of the NFRA and securities firms and investment fund companies which are registered with and under the supervision of other regulatory authorities. Balances and placements with banks and other financial institutions are measured at amortised cost.

Resale and repurchase agreements

Amounts for purchase of financial assets under resale agreements are accounted for under "amounts held under resale agreements". Amounts from sale of financial assets under repurchase agreements are accounted for under "amounts sold under repurchase agreements".

The difference between the purchase and resale consideration or sale and repurchase consideration is amortised over the period of the transaction using the effective interest method and is included in interest income or expense (as appropriate).

Financial investments

Equity investments are accounted for as financial assets at fair value through profit or loss or equity investments designated at fair value through other comprehensive income. Debt investments are classified as financial assets at fair value through profit or loss, debt investments at amortised cost, debt investments at fair value through other comprehensive income in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

Loans and advances to customers

Loans and advances directly granted by the Group to customers and finance leases receivables are accounted for as loans and advances to customers.

Loans and advances to customers are classified as loans and advances to customers at fair value through profit or loss (loans and advances to customers at FVTPL), loans and advances to customers at amortised cost, loans and advances to customers at fair value through other comprehensive income (loans and advances to customers at FVTOCI) in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

Derivative financial instruments

The Group's derivative financial instruments mainly include forward, foreign currency swaps, interest rate swaps and option contracts undertaken in response to customers' needs or for the Group's own risk management purposes. The Group enters into derivative contracts with other banks and financial institutions that can conduct such business to hedge against risks arising from derivative transactions undertaken for customers.

Derivative financial instruments are stated at fair value. Except for the gains or losses arising from the effective hedging portion of those derivatives in cash flow hedge and the gains or losses on the hedging instrument that hedges an non-trading equity instrument designated as at FVTOCI are recognised in other comprehensive income, all other gains or losses are recognised in the consolidated statement of profit or loss.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Specific items *(continued)*

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 *Financial Instruments* are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 *Financial Instruments* are treated as separate derivatives with the same terms when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the hybrid contracts are not measured at FVTPL. Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow hedging relationship.

Equity instruments

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Group for repurchasing self-issued equity instruments are deducted from shareholders' equity.

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) the financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

At initial recognition, the Group classifies the perpetual bonds and perpetual debt capitals issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

For perpetual bonds and perpetual debt capitals issued that classified as equity instruments, any distribution of interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds and perpetual debt capitals are redeemed, the redeemed amount is charged to equity. Relevant transaction expenses are deducted from equity.

At initial recognition of preference shares, the Group classifies the preference shares issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

When the Group classifies preference shares issued as an equity instrument, fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Derecognition of financial instruments

(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset; or
- has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset and liability are recognised to the extent of the Group's continuing involvement in the asset.

When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement at the time of transfer is the lower of (i) the amount of the asset and (ii) the guarantee amount (the maximum amount that the Group could be required to repay in the consideration received). When the Group continues to recognise an asset to the extent of its continuing involvement, the Group also recognises an relevant liability as the sum of the guarantee amount and the fair value of the guarantee contract (usually the consideration received for the provision of security).

When the Group has completed all necessary legal or other procedures and the financial assets measured at amortized cost remain irrecoverable, the Group will decide to write off such financial assets and reverse the corresponding allowance for credit losses. The write-off constitutes derecognition of the financial assets measured at amortized cost. If the Group subsequently recovers any written-off financial assets measured at amortized cost, the recovered amount shall reduce the impairment loss and be recognized in profit or loss for the current period.

(b) Securitisation

As part of its operational activities, the Group securitises credit assets, generally through the sale of these assets to structured entities which issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or junior tranches, or other residual interests (retained interests).

When applying the accounting policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on the transferred financial assets and the degree of control exercised by the Group over the transferred financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;
- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and
- when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it shall continue to recognise the financial assets to the extent of its continuing involvement in the financial assets.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Derecognition of financial instruments *(Continued)*

(b) Securitisation (Continued)

When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration collected are recorded as a financial liability.

When the securitisation results in derecognition or partial derecognition of financial assets, the Group allocates the carrying amount of the transferred financial assets between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation, which is the difference between the consideration received and the allocated carrying amount of the financial assets derecognised, are recorded in "other net income". The retained interests continue to be recognised on the same basis before the securitisation.

(c) Sales of assets on condition of repurchase

Derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

(d) Financial liabilities

A financial liability (or part of it) is derecognised when the obligation under the liability (or part of it) is discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. Material accounting policy information *(continued)*

(6) Property, equipment, investment property and depreciation

Property, equipment and investment property, are stated at cost or deemed cost less accumulated depreciations and accumulated impairment losses. When the Group cannot separately measure the fair value of its leasehold interests in land and the associated buildings not held under operating leases as of the lease commencement date, such land and buildings shall be classified as fixed assets or investment properties.

Depreciation is calculated to write off the cost of property, equipment and investment property over the following estimated useful lives, after taking into account an estimated residual value on a straight-line basis:

Land and buildings	20 years
Investment properties	20 years
Computer equipment	3 years
Leasehold improvements (leased property)	the estimated useful lives
Capitalized improvements (self-owned property)	the estimated useful lives
Aircraft, vessels and professional equipment	no more than 25 years
Other	3 – 5 years

Construction in progress represents property under construction and is stated at cost less impairment losses. Cost comprises the direct and indirect cost of construction. Construction in progress is transferred to an appropriate class of property or other asset when the asset is ready for its intended use. No depreciation is provided for construction in progress.

Subsequent expenditure relating to a property, equipment and investment property is capitalised only when it is probable that future economic benefits associated with the property and equipment will flow to the Group. All other expenditure are recognised in the consolidated statement of profit or loss as an expense or included in the relevant asset's cost according to the benefit recipient as incurred.

Profits or losses on disposal of property, equipment and investment property are determined as the difference between the net disposal proceeds and the carrying amount of the property, equipment and investment property, and are accounted for in the consolidated statement of profit or loss as they arise.

(7) Repossessed assets

Repossessed assets (non-financial instruments) are initially recognized at fair value of the debt relinquished and presented under the "Other Assets" category. At the end of the reporting period, repossessed assets (non-financial instruments) are measured at the lower of carrying amount and recoverable amount. When the recoverable amount is lower than the carrying amount, an impairment provision is recognized for repossessed assets (non-financial instruments), which is recorded in the "Other Asset Impairment losses on other assets" line item of the income statement.

Repossessed assets (financial instruments) are detailed in Note 4(5).

(8) Intangible assets

Intangible assets are stated at cost less accumulated amortisation (only intangible assets with finite useful lives) and accumulated impairment losses (see Note 4(10)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. The Group does not have intangible assets with useful lives assessed to be indefinite as at the end of the reporting period.

The amortisation period of intangible assets is as follows:

Software and Other	Core deposit
2 – 20 years	28 years

Both the periods and method of amortisation are reviewed annually.

4. Material accounting policy information *(continued)*

(9) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

(a) Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) Short-term leases and leases of low-value assets

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (lease term of 12 months or less and do not contain a purchase option) and leases of low value assets (the value of assets is equivalent to below RMB35,000).

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(c) Right-of-use assets

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The right-of-use asset is initially measured at cost. This cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

After the commencement date, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group recognises the depreciation of right-of-use assets as an operating expense on a straight-line basis. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers the ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Accounting policy for any identified right-of-use asset impairment loss are disclosed in Note 4(10).

(d) Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

4. Material accounting policy information *(continued)*

(9) Leases *(continued)*

As a lessee *(continued)*

(e) Lease liabilities

Lease liability is presented as a separate line in the consolidated statement of financial position.

Except for short-term leases and leases of low-value asset, lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date using lessee's incremental borrowing rate as the discount rate.

Lease payments refer to the payment made by the lessee to the lessor in connection with the right to use the leased assets during the lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- the amount expected to be payable by the lessee under remaining value guarantees.

After the beginning date of the lease term, the Group calculates the interest expense of the lease liability in each period of the lease term at a fixed periodic interest rate, and recognised it in the current profit and loss or related asset costs.

After the commencement date, the Group remeasures the lease liability according to the present value calculated by the revised lease payment amount and the revised discount rate and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed remaining value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. But if the change in lease payments results from a change in floating interest rates, the lessee shall use a revised discount rate that reflects changes in the interest rate.

As a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. When the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the consolidated statement of financial position as "loans and advances to customers". Unrecognised finance income under finance leases are amortised using the effective interest method over the lease term. Accounting policy for impairment losses are disclosed in Note 4(5).

When the Group is a lessor of an operating lease, income derived from operating lease is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Contingent lease income is charged to profit or loss in the accounting period in which it is incurred.

When a contract includes lease and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

4. Material accounting policy information *(continued)*

(9) Leases *(continued)*

As a buyer-lessor in a sale and leaseback transactions

For a transfer of asset that does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for a sale of asset, the Group acting as a buyer-lessor does not recognise the transferred asset and recognises loan and advance to customers at an amount that equals the transfer proceed within the scope of IFRS 9 *Financial Instruments*.

(10) Impairment on tangible and intangible assets other than impairment under ECL model

The carrying amount of tangible and intangible assets including property and equipment, right-of-use assets, intangible assets, investment properties, interests in joint ventures, interests in associates, goodwill and other non-current assets are reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of impairment loss is recognised in the consolidated statement of profit or loss. The recoverable amount of an asset is the greater of its fair value less disposal expense and present value of future expected cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values.

Internal and external sources of information are reviewed at the end of the reporting period to identify any indications that other assets may be impaired.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated by the Group at the end of the reporting period whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset or a CGU is the greater of its fair value less disposal expense and the present value of future cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Impairment losses recognised

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(11) Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially recognised at fair value, with changes in fair value arising from remeasurement recognised directly in the consolidated statement of profit or loss in the period in which they arise.

4. Material accounting policy information *(continued)*

(12) Financial guarantee issued, provisions and contingent liabilities

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The provision of financial guarantees issued is recognised in the consolidated statement of financial position in accordance with accounting policy set out in Note 4(5).

Provisions and contingent liabilities

Except for contingent consideration and contingent liabilities assumed in business combinations not under the same control, Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is highly probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. The Group reviews the carrying amount of provisions at each balance sheet date and adjusts them as appropriate to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(13) Income recognition

Revenue is the inflow of economic benefits that the Group has formed in its daily activities that will result in an increase in shareholders' equity and have nothing to do with the capital invested by shareholders.

Net interest income

Interest income and expense for all financial instruments except for those classified as at FVTPL are recognised in "Interest income" and "Interest expense" in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, which is recognised in "Other net income".

Dividend income

Dividend income from investments is recognised when the dividend is declared and approved by the investee.

Rental income

Income derived from operating leases is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term.

4. Material accounting policy information *(continued)*

(13) Income recognition *(continued)*

Fee and commission income

Under IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time.

If the revenue is recognised over time, the Group recognises revenue in accordance with the progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Group's performance in transferring control of goods or services.

4. Material accounting policy information *(continued)*

(13) Income recognition *(continued)*

Fee and commission income *(continued)*

If revenue is recognised at a point in time, the Group recognises the revenue when the customer obtains control of the distinct good or service. To determine the point in time at which a customer obtains control of a promised service, the following indicators of the transfer of control should also be considered. They include, but are not limited to:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods;
- the customer has the significant risks and rewards of ownership of the goods;
- the customer has accepted the goods or services.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it can control the goods or service before transferring it to customers. The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(14) Taxation

Current income tax and movements in deferred tax balances are recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets also arise from unused tax losses and unused tax credits. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates of expected returns of the assets or the repayment of the liabilities. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

4. Material accounting policy information *(continued)*

(14) Taxation *(continued)*

The Group shall recognise a deferred tax asset for all deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures that both of the following conditions are satisfied: the temporary differences are likely to be reversed in the foreseeable future; and it is probably to obtain the taxable income used to offset the deductible temporary difference in the future. The Group shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where both of the following conditions are satisfied: the investor is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(15) Foreign currencies translations

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into as part of the effective portion of a hedge on certain foreign currency risks; or
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in exchange reserve in respect of that operation attributable to the owners of the Bank are reclassified to the consolidated statement of profit or loss.

4. Material accounting policy information *(continued)*

(16) Employee benefits

Salaries and staff welfare

Salaries, bonuses and other benefits are accrued in the period in which the associated services are rendered by employees.

Post-employment benefits

The Group participates in a number of defined contribution retirement benefit schemes managed by different provincial governments or independent insurance companies. Obligation for contributions to these schemes are jointly borne by the Group and the staff, and contributions paid by the Group are recognised as an expense in the consolidated statement of profit or loss as incurred.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in the consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Share-based payment

The Group offers H share appreciation rights to its employee, namely H Share Appreciation Rights Scheme for the Senior Management ("the Scheme"), which is settled in cash. Cash-settled share-based payments are measured at the fair value of the liabilities incurred by the Group, which are determined based on the shares. The Group recognises the services for the period as related costs or expenses, with a corresponding increase in liability, at an amount equal to the fair value of the liability based on the best estimate of the outcome of vesting at the end of each reporting period within the vesting period. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting period end and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The fair value of the H share appreciation rights is using Black-Scholes model, taking into account the terms and condition upon which the H share appreciation rights were granted.

4. Material accounting policy information *(continued)*

(17) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly, indirectly or jointly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control, common control or common significant influence by the same third party (except that the Group and the party are subject to common significant influence by the same third party of the other party). Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(18) Segmental reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they meet most of these criteria.

(19) Fiduciary activities

The Group acts in a fiduciary capacity in entrusted loan and entrusted investment business. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with the customers. The Group only charges a relevant commission.

(20) Dividends or profit distributions

Dividends or profit distributions are recognised as a liability in the year in which they are approved and declared.

(21) General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. The balance of general reserve includes 1.5% of the ending balance of risk assets, country risk provisions allocated as required by regulations for country risk exposures with medium, high, and very high country risk ratings and 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

5. Significant accounting estimates and judgements

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on the assets and liabilities at the end of the reporting period. These estimates involve assumptions about cash flows and the discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to the assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(1) Control over structured entity

When acting as an asset manager or investor in structured entities, the Group needs to make significant judgment in determining whether it controls those structured entities and consequently consolidates them. The Group evaluates the contractual rights and obligations under the transaction structure, analyses and tests the variable returns of the structured entities, and assesses whether it has the ability to use its power to influence those variable returns. Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among others, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from interests that it holds in the structured entities.

(2) Classification of financial assets

Classification and measurement of financial assets of the Group involves significant judgement on business model. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Specific considerations include how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

(3) Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements. The Group applies significant judgement and estimate in assessing whether it has transferred these financial assets and qualified for a full derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities and the Group needs to consolidate them. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties;
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgement and estimate is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of the Group's assessment on the extent that risks and rewards are transferred.

5. Significant accounting estimates and judgements *(continued)*

(4) Impairment under ECL model

- Significant increase in credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 60(a)(ii) for more details.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 60(a)(v) for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.
- Models and assumptions used: The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 60(a)(iii) for more details.
- Forward-looking information: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 60(a)(iv) for more details.
- Probability of Default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 60(a) (iii) for more details.
- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 60(a)(iii) for more details.

(5) Fair value of financial instruments

For a number of financial instruments, no quoted prices in an active market exist. The fair value for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments, discounted cash flow analysis or option pricing models. The Group has established a process to ensure that valuation techniques are constructed by qualified personnel and are validated and reviewed by personnel independent of the business unit that constructed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Management estimates and assumptions are reviewed periodically and adjusted if necessary. If the fair value is measured using third party information such as broker quotes or pricing services, the valuation team will evaluate the evidence obtained from third party to support the conclusion that the relevant valuation meets the requirements of IFRS Accounting Standards, including the category of the relevant valuation at the appropriate level in the fair value hierarchy.

(6) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reviewed periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

5. Significant accounting estimates and judgements *(continued)*

(7) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or group of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from CGU or group of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

6. Interest income

	2024	2023
Loans and advances to customers	**260,573**	268,240
– Corporate loans and advances	**93,282**	94,526
– Retail loans and advances	**161,740**	166,104
– Discounted bills	**5,551**	7,610
Balances with central banks	**9,698**	9,977
Balances with banks and other financial institutions	**2,768**	2,101
Placements with banks and other financial institutions	**12,433**	10,596
Amounts held under resale agreements	**3,875**	3,860
Financial investments	**84,924**	80,836
– Debt investments at FVTOCI	**28,699**	26,201
– Debt investments at amortised cost	**56,225**	54,635
Total	**374,271**	375,610

Note: For the year ended 31 December 2024, included in the above is the interest income of RMB8,868 million from loans and advances to customers at fair value through other comprehensive income (2023: RMB10,577 million).

7. Interest expense

	2024	2023
Deposits from customers	**130,824**	128,809
Borrowing from central banks	**4,428**	4,005
Deposits from banks and other financial institutions	**8,277**	8,307
Placements from banks and other financial institutions	**8,794**	8,931
Amounts sold under repurchase agreements	**2,558**	2,628
Debt securities issued	**7,656**	7,781
Lease liabilities	**457**	480
Total	**162,994**	160,941

8. Fee and commission income

	2024	2023
Fees and commissions from wealth management	**22,005**	28,466
Fees and commissions from asset management	**10,751**	11,474
Bank cards fees	**16,761**	19,525
Settlement and clearing fees	**15,505**	15,492
Commissions from credit commitment and lending business	**4,219**	4,997
Commissions on custodian business	**4,891**	5,328
Other	**6,908**	7,552
Total	**81,040**	92,834

9. Other net income

	2024	2023
Net gains from fair value change	**6,085**	1,846
– financial instruments at fair value through profit or loss	**6,498**	1,797
– derivatives instruments	**(357)**	104
– precious metals	**(56)**	(55)
Net investment income	**27,248**	19,700
– financial instruments at FVTPL	**14,723**	14,132
– gain on disposal of financial assets at amortised cost	**4,045**	967
– gain on disposal of debt instruments at FVTOCI	**7,295**	3,661
– of which: gain on disposal of bills	**1,224**	1,551
– dividend income from equity investments designated at FVTOCI	**947**	708
– other	**238**	232
Foreign exchange gain	**4,026**	4,132
Other income	**12,709**	11,352
– income on operating leases	**12,709**	11,352
Other	**1,050**	795
Total	**51,118**	37,825

10. Operating expenses

	2024	2023
Staff costs	**68,088**	70,348
– Salaries and bonuses	**52,627**	55,477
– Social insurance and corporate supplemental insurance	**8,013**	7,349
– Other	**7,448**	7,522
Tax and surcharges	**2,950**	2,963
Depreciation of property and equipment and investment properties	**11,454**	11,008
Amortisation of intangible assets	**680**	930
Depreciation of right-of-use assets	**4,107**	4,205
Short-term leases expense and leases of low-value assets expense	**183**	216
Other general and administrative expenses (note)	**30,188**	31,321
Total	**117,650**	120,991

Note: Auditors' remuneration amounting to RMB27 million for the year ended 31 December 2024 (2023: RMB34 million) is included in other general and administrative expenses.

11. Directors' and supervisors' emoluments

The emoluments of the Directors and Supervisors during the year were as follows:

	2024				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Wang Liang	–	2,962	–	–	2,962
Zhong Desheng (ii)	–	2,790	–	–	2,790
Zhu Jiangtao	–	2,793	–	–	2,793
Subtotal	–	8,545	–	–	8,545
The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group.					
Non-executive directors					
Miao Jianmin	–	–	–	–	–
Shi Dai (ii)	–	–	–	–	–
Sun Yunfei	–	–	–	–	–
Zhang Jian (iii)	–	–	–	–	–
Chen Dong (iv)	–	–	–	–	–
Zhu Eric Liwei (ii)	–	–	–	–	–
Huang Jian (v)	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
Independent non-executive directors and supervisors					
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian	500	–	–	–	500
Shi Yongdong	500	–	–	–	500
Li Jian (ii)	74	–	–	–	74
Li Jinming (vi)	–	–	–	–	–
Wu Heng	–	–	–	–	–
Luo Sheng (vii)	–	–	–	–	–
Xu Zhengjun	400	–	–	–	400
Cai Hongping	400	–	–	–	400
Zhang Xiang	400	–	–	–	400
Cai Jin	–	1,433	–	–	1,433
Cao Jian	–	1,788	–	–	1,788
Yang Sheng	–	1,900	–	–	1,900
Subtotal	3,774	5,121	–	–	8,895
The independent non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Former executive, non-executive directors and supervisors					
Hu Jianhua (viii)	–	–	–	–	–
Zhou Song (ix)	–	–	–	–	–
Hong Xiaoyuan (viii)	–	–	–	–	–
Wong See Hong (x)	426	–	–	–	426
Peng Bihong (xi)	–	–	–	–	–
Subtotal	426	–	–	–	426
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,200	13,666	–	–	17,866

11. Directors' and supervisors' emoluments *(continued)*

The emoluments of the Directors and Supervisors during the year were as follows: *(continued)*

Notes:

(i) The total remuneration before tax for the full-time directors, supervisors and executive officers of the Group is not yet finalised. Details of their remaining compensation will be disclosed separately when their total remuneration is confirmed.

(ii) In June 2024, according to the resolutions passed at the 2023 Annual General Meeting of the Company, Ms. Li Jian was elected as an Independent Non-Executive Director of the Company, whose qualification as the Independent Director was approved by the National Financial Regulatory Administration (NFRA) in November 2024; Ms. Shi Dai and Mr. Zhu Eric Liwei were elected as the Non-Executive Directors of the Company, and the qualifications of Ms. Shi Dai and Mr. Zhu Eric Liwei as the Directors were approved by the NFRA in August 2024 and January 2025; Mr. Zhong Desheng was elected as an Executive Director of the Company, and his qualification as the Director was approved by the NFRA in December 2024, the emolument of Mr. Zhong Desheng shown above included the portion for his services before his qualification as the Director was approved by the NFRA during the year.

(iii) In February 2025, Mr. Zhang Jian ceased to be the Non-Executive Director of the Company due to the change of work arrangement.

(iv) In March 2025, Mr. Chen Dong ceased to be the Non-Executive Director of the Company due to the change of work arrangement.

(v) In March 2025, the qualification of Mr. Huang Jian as the Director was approved by the NFRA.

(vi) In June 2024, according to the relevant resolution passed at the 2023 Annual General Meeting of the Company, Mr. Li Jinming was elected as the Shareholder Supervisor of the Company.

(vii) In March 2025, Mr. Luo Sheng ceased to be the Shareholder Supervisor of the Company due to personal work arrangement.

(viii) In January 2024, Mr. Hu Jianhua and Mr. Hong Xiaoyuan ceased to be Non-Executive Directors of the Company due to their ages.

(ix) In July 2024, Mr. Zhou Song ceased to be the Non-Executive Director of the Company due to the change of work arrangement.

(x) In November 2024, Mr. Wong See Hong ceased to be the Independent Non-Executive Director of the Company due to expiry of his term of office.

(xi) In January 2024, Mr. Peng Bihong ceased to be the Shareholder Supervisor of the Company due to change of work arrangement.

11. Directors' and supervisors' emoluments *(continued)*

The emoluments of the Directors and Supervisors during the year were as follows: *(continued)*

	2023				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Wang Liang	–	3,453	–	–	3,453
Zhu Jiangtao (i)	–	2,821	–	–	2,821
Subtotal	–	6,274	–	–	6,274
The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group.					
Non-executive directors					
Miao Jianmin	–	–	–	–	–
Hu Jianhua (ii)	–	–	–	–	–
Sun Yunfei	–	–	–	–	–
Zhou Song	–	–	–	–	–
Hong Xiaoyuan (ii)	–	–	–	–	–
Zhang Jian	–	–	–	–	–
Chen Dong	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
Independent non-executive directors and supervisors					
Wong See Hong	500	–	–	–	500
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian	500	–	–	–	500
Shi Yongdong	500	–	–	–	500
Luo Sheng	–	–	–	–	–
Peng Bihong (iii)	–	–	–	–	–
Wu Heng	–	–	–	–	–
Xu Zhengjun	400	–	–	–	400
Cai Hongping	400	–	–	–	400
Zhang Xiang	400	–	–	–	400
Cai Jin	–	1,627	–	–	1,627
Cao Jian (iv)	–	1,294	–	–	1,294
Yang Sheng (v)	–	967	–	–	967
Subtotal	4,200	3,888	–	–	8,088
The independent non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Former executive, non-executive directors and supervisors					
Su Min (vi)	–	–	–	–	–
Xiong Liangjun (v)	–	1,870	–	–	1,870
Wang Wanqing (iv)	–	593	–	–	593
Subtotal	–	2,463	–	–	2,463
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,200	12,625	–	–	16,825

11. Directors' and supervisors' emoluments *(continued)*

The emoluments of the Directors and Supervisors during the year were as follows: *(continued)*

Notes:

(i) In June 2023, according to the relevant resolution passed at the 2022 Annual General Meeting of the Bank, Mr. Zhu Jiangtao was elected as the Executive Director of the Bank, whose qualification as the Director was approved by the NFRA in August 2023. The emolument of Mr. Zhu Jiangtao shown above included the portion for his services before his qualification as the Director was approved by the NFRA during the year.

(ii) In January 2024, Mr. Hu Jianhua and Mr. Hong Xiaoyuan ceased to be Non-Executive Directors of the Bank due to their age.

(iii) In January 2024, Mr. Peng Bihong ceased to be the Shareholder Supervisor of the Bank due to change of work arrangement.

(iv) In March 2023, Mr. Cao Jian was elected as the Employee Supervisor of the Bank at the employee representative meeting of the Bank. Mr. Wang Wanqing ceased to be the Employee Supervisor of the Bank due to his age.

(v) In June 2023, Mr. Yang Sheng was elected as the Employee Supervisor of the Bank at the employee representative meeting of the Bank. At the same time, Mr. Xiong Liangjun ceased to be the Chairman of the Board of Supervisors and Employee Supervisor of the Bank due to his age.

(vi) In March 2023, Ms. Su Min retired and resigned as the Non-Executive Director of the Bank.

During the years of 2024 and 2023, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the years of 2024 and 2023, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

12. Five highest paid individuals

During the year ended 31 December 2024, the five (2023: five) highest paid individuals included five persons in total. Of these highest paid individuals, three (2023: two) were directors of the Bank whose emoluments were included in Note 11 above. The aggregate emolument of the remaining two (2023: three) highest paid individuals who were not directors of the Bank is as follows:

	2024 RMB'000	2023 RMB'000
Salaries and other emoluments	**5,584**	8,263
Discretionary bonuses	**–**	–
Contributions to defined contribution retirement schemes	**–**	–
Total	**5,584**	8,263

These highest paid individuals who were neither directors nor supervisors of the Bank whose emoluments fell within the following bands is set out below:

	2024	2023
HKD		
2,500,001 – 3,000,000	**2**	1
3,000,001 – 3,500,000	**–**	2
3,500,001 – 4,000,000	**–**	–
4,000,001 – 4,500,000	**–**	–
4,500,001 – 5,000,000	**–**	–

During the years of 2024 and 2023, no emoluments were paid by the Group to any of the persons who are five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Loans to directors, supervisors and executive officers

Loans to directors, supervisors and executive officers of the Group are as follows:

	2024	2023
Aggregate amount of relevant loans made by the Group outstanding at year end	**25**	35
Maximum aggregate amount of relevant loans made by the Group outstanding during the year	**33**	50

14. Expected credit losses

	2024	2023
Loans and advances to customers	**43,608**	46,635
– Loans and advances at amortised cost (Note 22(c)(i))	**41,400**	50,470
– Loans and advances at FVTOCI (Note 22(c)(ii))	**2,208**	(3,835)
Amounts due from banks and other financial institutions	**1,371**	(2,935)
Financial investments	**(2,400)**	(218)
– Debt investments at amortised cost (Note 23(b)(iii))	**(4,130)**	(1,227)
– Debt investments at FVTOCI (Note 23(c)(ii))	**1,730**	1,009
Financial guarantees and loan commitments	**(2,703)**	(2,761)
Other	**100**	557
Total	**39,976**	41,278

15. Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2024	2023
Current income tax expense	**28,929**	28,695
– Mainland China	**27,174**	27,366
– Hong Kong	**1,511**	1,155
– Overseas	**244**	174
Deferred taxation	**164**	(83)
Total	**29,093**	28,612

(b) A reconciliation of income tax expense in the consolidated statement of profit or loss and that calculated at the applicable statutory tax rate is as follows:

	2024	2023
Profit before taxation	**178,652**	176,618
Tax at the PRC statutory income tax rate of 25% (2023: 25%)	**44,663**	44,154
Tax effects of the following items:	**(15,570)**	(15,542)
– Effects of tax reduction and exemption policies	**(18,505)**	(18,872)
– Effects of costs, expenses and losses not deductible for tax purpose	**4,283**	4,551
– Effects of different applicable rates in other jurisdictions (note(i))	**(300)**	(260)
– Tax effect of perpetual bond/perpetual debt capital interest expense	**(1,170)**	(937)
– Other	**122**	(24)
Income tax expense	**29,093**	28,612

Notes:

(i) Taxation for Hong Kong and overseas operations are charged at the applicable rates of tax prevailing in relevant regions.

(ii) The Group has conducted relevant assessments, and it has been determined that in most jurisdictions where the Group operates, the effective tax rate under Pillar Two is above 15%. In a few jurisdictions, the effective tax rate under Pillar Two is slightly below 15%. The Group expects that the implementation of Pillar Two legislation will have no significant impact on its financial condition and operating results.

16. Other comprehensive income

(a) Income tax effects relating to each component of other comprehensive income

	2024			2023		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Items that may be reclassified subsequently to profit or loss	**30,256**	**(6,486)**	**23,770**	2,766	(393)	2,373
– Net fair value gain/(loss) on debt instruments measured at FVTOCI	**21,913**	**(5,490)**	**16,423**	4,470	(1,133)	3,337
– Net changes in expected credit losses of debt instruments measured at FVTOCI	**4,004**	**(1,004)**	**3,000**	(2,775)	730	(2,045)
– Net movement in cash flow hedge reserve	**(44)**	**8**	**(36)**	(69)	10	(59)
– Share of other comprehensive income from equity-accounted investees	**2,452**	**–**	**2,452**	202	–	202
– Exchange difference on translation of financial statements of foreign operations	**1,931**	**–**	**1,931**	983	–	983
– Other	**–**	**–**	**–**	(45)	–	(45)
Items that will not be reclassified to profit or loss	**3,125**	**(202)**	**2,923**	440	(82)	358
– Net fair value gain on equity instruments designated at FVTOCI	**3,101**	**(198)**	**2,903**	435	(81)	354
– Remeasurement of defined benefit scheme	**24**	**(4)**	**20**	5	(1)	4
Other comprehensive income	**33,381**	**(6,688)**	**26,693**	3,206	(475)	2,731

(b) Movements relating to components of other comprehensive income are as follows:

	2024	2023
Net fair value gain/(loss) on debt instruments measured at FVTOCI		
Changes in fair value recognised during the year	**21,894**	6,083
Reclassification adjustments for amounts transferred to profit or loss upon disposal	**(5,471)**	(2,746)
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	**16,423**	3,337
Net changes in expected credit losses of debt instruments measured at FVTOCI		
Changes in expected credit losses recognised during the year	**3,000**	(2,045)
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	**3,000**	(2,045)
Net fair value gain on equity instruments designated at FVTOCI		
Changes in fair value recognised during the year	**2,903**	354
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	**2,903**	354
Net movement in cash flow hedge reserve		
Effective portion of changes in fair value of hedging instruments	**(33)**	(58)
Reclassification adjustment for realised gain to profit or loss	**(3)**	(1)
Net movement in hedging reserve during the year recognised in other comprehensive income	**(36)**	(59)

17. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of the Bank and the weighted average number of shares in issue for the year.

	2024	2023
Net profit attributable to equity holders of the Bank	**148,391**	146,602
Less: Net profit attributable to preference shareholders of the Bank	**(996)**	(996)
Net profit attributable to holders of perpetual bonds	**(4,585)**	(3,562)
Net profit attributable to ordinary shareholders of the Bank	**142,810**	142,044
Weighted average number of shares in issue (in million shares)	**25,220**	25,220
Basic and diluted earnings per share (in RMB Yuan)	**5.66**	5.63

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020, 2021, 2023 and 2024. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interests on non-cumulative perpetual bonds declared during the year have been deducted from the amounts attributable to equity holders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 31 December 2024 and 2023. Therefore the conversion feature of preference shares has no effect on the diluted earnings per share calculation for both years.

The non-cumulative perpetual bonds issued by the Bank do not contain equity conversion clauses.

18. Balances with central banks

	2024	2023
Statutory deposit reserve (note (i))	**507,018**	536,637
Surplus deposit reserve (note (ii))	**30,335**	125,878
Other deposits with central banks (note (iii))	**19,813**	5,054
Accrued interest	**277**	302
Total	**557,443**	667,871

Notes:

(i) Statutory deposit reserve funds are deposited with The PBOC and other central banks outside the Chinese mainland as required and are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in the mainland China are calculated at 6% and 4% of eligible RMB deposits and foreign currency deposits respectively as at 31 December 2024 (31 December 2023: 7% and 4% of eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by financial institutions outside the mainland China. The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside the mainland China are mainly for clearing and settlement purposes.

(iii) Other deposits with central banks primarily represent fiscal deposits and foreign exchange reserve placed with the PBOC.

19. Balances with banks and other financial institutions

	2024	2023
Principal (a)	**220,549**	100,757
Impairment allowances (a)(b)	**(830)**	(223)
Subtotal	**219,719**	100,534
Accrued interest	**512**	235
Total	**220,231**	100,769

(a) Analysed by nature of counterparties

	2024	2023
In the mainland China	**176,929**	62,381
– Banks	**166,974**	57,387
– Other financial institutions	**9,955**	4,994
Outside the mainland China	**43,620**	38,376
– Banks	**43,042**	37,872
– Other financial institutions	**578**	504
Total	**220,549**	100,757
Less: Impairment allowances	**(830)**	(223)
– Banks	**(776)**	(196)
– Other financial institutions	**(54)**	(27)
Net carrying amount	**219,719**	100,534

(b) Movements of allowances for impairment losses are as follows:

	2024	2023
Balance as at the beginning of the year	**223**	509
Charge/(release) for the year (note 14)	**607**	(287)
Exchange difference	**–**	1
Balance as at the end of the year	**830**	223

20. Placements with banks and other financial institutions

	2024	2023
Principal (a)	**406,817**	286,247
Impairment allowances (a)(c)	**(1,126)**	(519)
Subtotal	**405,691**	285,728
Accrued interest	**3,264**	1,966
Total	**408,955**	287,694

(a) Analysed by nature of counterparties

	2024	2023
In the mainland China	**292,720**	214,881
– Banks	**39,380**	42,041
– Other financial institutions	**253,340**	172,840
Outside the mainland China	**114,097**	71,366
– Banks	**114,097**	70,625
– Other financial institutions	**–**	741
Total	**406,817**	286,247
Less: Impairment allowances	**(1,126)**	(519)
– Banks	**(216)**	(92)
– Other financial institutions	**(910)**	(427)
Net carrying amount	**405,691**	285,728

(b) Analysed by remaining maturity

	2024	2023
Maturing		
– Within one month (inclusive)	**125,756**	107,390
– Between one month and one year (inclusive)	**264,359**	175,523
– Over one year	**15,576**	2,815
Total	**405,691**	285,728

(c) Movements of allowances for impairment losses are as follows:

	2024	2023
Balance as at the beginning of the year	**519**	2,658
Charge/(release) for the year (note 14)	**607**	(2,143)
Exchange difference	**–**	4
Balance as at the end of the year	**1,126**	519

21. Amounts held under resale agreements

	2024	2023
Principal (a)	**272,043**	172,708
Impairment allowances (a)(d)	**(746)**	(589)
Subtotal	**271,297**	172,119
Accrued interest	**32**	127
Total	**271,329**	172,246

(a) Analysed by nature of counterparties

	2024	2023
In the mainland China	**271,387**	172,334
– Banks	**53,048**	9,961
– Other financial institutions	**218,339**	162,373
Outside the mainland China	**656**	374
– Banks	**72**	88
– Other financial institutions	**584**	286
Total	**272,043**	172,708
Less: Impairment allowances	**(746)**	(589)
– Banks	**(176)**	(148)
– Other financial institutions	**(570)**	(441)
Net carrying amount	**271,297**	172,119

(b) Analysed by remaining maturity

	2024	2023
Maturing		
– Within one month (inclusive)	**271,297**	172,119
Total	**271,297**	172,119

(c) Analysed by underlying assets

	2024	2023
Bonds	**257,549**	164,702
Bills	**13,748**	7,417
Total	**271,297**	172,119

(d) Movements of allowances for impairment losses are as follows:

	2024	2023
Balance as at the beginning of the year	**589**	1,094
Charge/(release) for the year (note 14)	**157**	(505)
Balance as at the end of the year	**746**	589

22. Loans and advances to customers

(a) Loans and advances to customers

	2024	2023
Gross amount of loans and advances to customers at amortised cost (i)	**6,300,863**	5,913,324
Accrued interest	**10,565**	11,442
Subtotal	**6,311,428**	5,924,766
Loss allowances of loans and advances to customers at amortised cost (i)	**(265,365)**	(266,805)
Loss allowances of accrued interest	**(982)**	(815)
Subtotal	**(266,347)**	(267,620)
Loans and advances to customers at amortised cost	**6,045,081**	5,657,146
Loans and advances to customers at FVTOCI (ii)	**551,692**	525,179
Loans and advances to customers at FVTPL (iii)	**35,775**	70,430
Total	**6,632,548**	6,252,755

(i) Loans and advances to customers at amortised cost

	2024	2023
Corporate loans and advances	**2,656,238**	2,475,432
Retail loans and advances	**3,644,625**	3,437,883
Discounted bills	**–**	9
Gross amount of loans and advances to customers at amortised cost	**6,300,863**	5,913,324
Less: Loss allowances	**(265,365)**	(266,805)
– Stage 1 (12-month ECL)	**(152,598)**	(165,866)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(56,926)**	(47,729)
– Stage 3 (Lifetime ECL-credit-impaired)	**(55,841)**	(53,210)
Net amount of loans and advances to customers at amortised cost	**6,035,498**	5,646,519

(ii) Loans and advances to customers at FVTOCI

	2024	2023
Corporate loans and advances	**206,343**	120,762
Discounted bills	**345,349**	404,417
Loans and advances to customers at FVTOCI	**551,692**	525,179
Loss allowances	**(4,936)**	(2,729)
– Stage 1 (12-month ECL)	**(4,515)**	(2,726)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(421)**	(3)
– Stage 3 (Lifetime ECL-credit-impaired)	**–**	–

No loss allowance is recognised in the consolidated statement of financial position for loans and advances to customers at FVTOCI as the carrying amount is at fair value.

(iii) Loans and advances to customers at FVTPL

	2024	2023
Corporate loans and advances	**1,159**	3,661
Discounted bills	**34,601**	66,701
Accrued interest	**15**	68
Total	**35,775**	70,430

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in the mainland China

	2024	2023
Manufacturing	**652,430**	557,691
Transportation, storage and postal services	**497,123**	477,016
Production and supply of electric power, heat, gas and water	**333,400**	259,864
Property development	**287,798**	303,707
Wholesale and retail	**222,593**	187,737
Leasing and commercial services	**186,736**	186,463
Telecommunications, software and IT services	**124,026**	95,394
Construction	**105,294**	110,577
Finance	**89,007**	88,296
Mining	**49,632**	42,326
Water, environment and public utilities management	**36,728**	42,813
Other	**88,901**	76,400
Subtotal of corporate loans and advances	**2,673,668**	2,428,284
Discounted bills	**379,950**	471,127
Residential mortgage	**1,404,101**	1,376,815
Credit cards	**947,712**	935,777
Micro-finance loans	**824,128**	750,019
Consumer loans	**396,161**	301,538
Other	**5,388**	7,806
Subtotal of retail loans and advances	**3,577,490**	3,371,955
Gross amount of loans and advances to customers	**6,631,108**	6,271,366

Operations outside the mainland China

	2024	2023
Finance	**51,257**	45,368
Transportation, storage and postal services	**44,972**	36,248
Property development	**30,753**	22,960
Manufacturing	**17,200**	19,335
Telecommunications, software and IT services	**10,991**	8,323
Production and supply of electric power, heat, gas and water	**9,856**	12,359
Leasing and commercial services	**7,756**	6,207
Wholesale and retail	**5,118**	10,002
Construction	**2,672**	623
Mining	**2,335**	4,945
Water, environment and public utilities management	**1,051**	419
Other	**6,111**	4,782
Subtotal of corporate loans and advances	**190,072**	171,571
Residential mortgage	**13,349**	8,671
Credit cards	**131**	133
Micro-finance loans	**1,315**	1,278
Other	**52,340**	55,846
Subtotal of retail loans and advances	**67,135**	65,928
Gross amount of loans and advances to customers	**257,207**	237,499

As at 31 December 2024, over 90% of the Group's loans and advances to customers were conducted in the mainland China (31 December 2023: over 90%).

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(ii) Analysed by type of guarantees:

	2024	2023
Credit loans	**2,800,227**	2,592,093
Guaranteed loans	**872,494**	822,059
Collateralised loans	**2,381,108**	2,244,129
Pledged loans	**454,536**	379,457
Subtotal	**6,508,365**	6,037,738
Discounted bills	**379,950**	471,127
Gross amount of loans and advances to customers	**6,888,315**	6,508,865

(iii) Analysed by overdue term:

	2024				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	**29,777**	**15,187**	**2,741**	**1,421**	**49,126**
Guaranteed loans	**1,079**	**2,575**	**7,418**	**2,966**	**14,038**
Collateralised loans	**8,562**	**7,190**	**6,857**	**1,331**	**23,940**
Pledged loans	**2,810**	**249**	**501**	**1,211**	**4,771**
Gross amount of loans and advances to customers	**42,228**	**25,201**	**17,517**	**6,929**	**91,875**

	2023				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	20,486	13,310	3,905	1,661	39,362
Guaranteed loans	6,971	4,360	7,053	618	19,002
Collateralised loans	6,133	4,638	5,157	1,549	17,477
Pledged loans	2,571	766	1,556	1,249	6,142
Gross amount of loans and advances to customers	36,161	23,074	17,671	5,077	81,983

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the reporting date are as follows:

	2024	2023
Collateralised loans that are overdue but not impaired	**7,170**	5,448
Pledged loans that are overdue but not impaired	**1,542**	2,565
Total	**8,712**	8,013

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iv) Analysed by ECL

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	**6,030,395**	**204,858**	**65,610**	**6,300,863**
Less: Loss allowances of loans and advances to customers at amortised cost	**(152,598)**	**(56,926)**	**(55,841)**	**(265,365)**
Net amount of loans and advances to customers at amortised cost	**5,877,797**	**147,932**	**9,769**	**6,035,498**
Loans and advances to customers at FVTOCI	**550,089**	**1,603**	**–**	**551,692**
Loss allowances of loans and advances to customers at FVTOCI	**(4,515)**	**(421)**	**–**	**(4,936)**

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	5,686,659	165,105	61,560	5,913,324
Less: Loss allowances of loans and advances to customers at amortised cost	(165,866)	(47,729)	(53,210)	(266,805)
Net amount of loans and advances to customers at amortised cost	5,520,793	117,376	8,350	5,646,519
Loans and advances to customers at FVTOCI	524,624	555	–	525,179
Loss allowances of loans and advances to customers at FVTOCI	(2,726)	(3)	–	(2,729)

22. Loans and advances to customers *(continued)*

(c) Movements of allowance for expected credit loss

(i) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at amortised cost:

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	**165,866**	**47,729**	**53,210**	**266,805**
Transfer to				
– Stage 1	**8,028**	**(7,877)**	**(151)**	**–**
– Stage 2	**(6,417)**	**6,817**	**(400)**	**–**
– Stage 3	**(1,688)**	**(9,413)**	**11,101**	**–**
Charge/(release) for the year (note 14)	**(13,314)**	**19,624**	**35,090**	**41,400**
Write-offs/disposals	**–**	**–**	**(53,154)**	**(53,154)**
Recovery of loans and advances written off	**–**	**–**	**10,274**	**10,274**
Exchange and other differences	**123**	**46**	**(129)**	**40**
Balance as at the end of the year	**152,598**	**56,926**	**55,841**	**265,365**

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	159,932	44,898	50,083	254,913
Transfer to				
– Stage 1	7,480	(7,309)	(171)	–
– Stage 2	(5,807)	6,382	(575)	–
– Stage 3	(1,625)	(14,547)	16,172	–
Charge for the year (note 14)	5,274	18,214	26,982	50,470
Write-offs/disposals	–	–	(47,922)	(47,922)
Recovery of loans and advances written off	–	–	8,819	8,819
Exchange and other differences	612	91	(178)	525
Balance as at the end of the year	165,866	47,729	53,210	266,805

(ii) Reconciliation of allowance for expected credit loss for loans and advances to customers measured at FVTOCI:

	2024	2023
Balance as at the beginning of the year	**2,729**	6,563
Charge/(release) for the year (note 14)	**2,208**	(3,835)
Exchange difference	**(1)**	1
Balance as at the end of the year	**4,936**	2,729

22. Loans and advances to customers *(continued)*

(d) Finance leases receivable

The table below provides an analysis of finance leases receivable included in loans and advances to customers for leases of assets in which the Group is a lessor:

	2024	2023
Total minimum leases receivable		
Within 1 year (inclusive)	**16,148**	15,305
Over 1 year but within 2 years (inclusive)	**9,230**	8,010
Over 2 years but within 3 years (inclusive)	**5,495**	7,573
Over 3 years but within 4 years (inclusive)	**4,598**	4,755
Over 4 years but within 5 years (inclusive)	**4,058**	3,729
Over 5 years	**18,506**	19,145
Subtotal	**58,035**	58,517
Unearned finance income	**(8,991)**	(10,491)
Present value of minimum leases receivable	**49,044**	48,026
Less: Impairment allowances	**(2,738)**	(2,629)
– Stage 1 (12-month ECL)	**(642)**	(661)
– Stage 2 (Lifetime ECL – not credit-impaired)	**(1,763)**	(1,368)
– Stage 3 (Lifetime ECL – credit-impaired)	**(333)**	(600)
Net carrying amount of finance leases receivable	**46,306**	45,397

23. Financial investments

	Notes	2024	2023
Financial investments at fair value through profit or loss	23(a)	**617,018**	526,145
Debt investments at amortised cost	23(b)	**1,941,580**	1,749,024
Debt investments at FVTOCI	23(c)	**1,092,127**	899,102
Equity investments designated at FVTOCI	23(d)	**22,315**	19,649
Total		**3,673,040**	3,193,920

(a) Financial investments at fair value through profit or loss

	Notes	2024	2023
Financial investments measured at FVTPL	(i)	**603,353**	513,266
Financial assets designated at fair value through profit or loss	(ii)	**13,665**	12,879
Total		**617,018**	526,145

23. Financial investments *(continued)*

(a) Financial investments at fair value through profit or loss *(continued)*

(i) Financial investments measured at FVTPL

Financial investments held for trading

	2024	2023
Bonds:		
Classified by issuer	**243,906**	251,189
– Government bonds	**96,730**	128,894
– Bonds issued by policy banks	**45,491**	20,502
– Bonds issued by commercial banks and other financial institutions	**58,420**	40,591
– Other debt securities	**43,265**	61,202
Classified by listing	**243,906**	251,189
– Listed in the mainland China	**222,192**	236,106
– Listed outside the mainland China	**13,079**	12,787
– Unlisted	**8,635**	2,296
Other investments:		
Classified by underlying assets	**2,379**	4,347
– Equity investments	**310**	257
– Fund investments	**1,026**	1,440
– Wealth management products	**909**	1,046
– Long position in precious metal contracts	**134**	1,604
Classified by listing	**2,379**	4,347
– Listed in the mainland China	**310**	–
– Listed outside the mainland China	**134**	1,604
– Unlisted	**1,935**	2,743
Total financial investments held for trading	**246,285**	255,536

23. Financial investments *(continued)*

(a) Financial investments at fair value through profit or loss *(continued)*

(i) Financial investments measured at FVTPL *(continued)*

Other financial investments measured at FVTPL

	2024	2023
Bonds:		
Classified by issuer	**8,146**	10,619
– Bonds issued by policy banks	**–**	740
– Bonds issued by commercial banks and other financial institutions	**1,443**	3,781
– Other debt securities	**6,703**	6,098
Classified by listing	**8,146**	10,619
– Listed in the mainland China	**6,528**	7,483
– Listed outside the mainland China	**551**	2,777
– Unlisted	**1,067**	359
Other investments:		
Classified by underlying assets	**348,922**	247,111
– Equity investments	**2,952**	4,228
– Fund investments	**342,925**	240,864
– Wealth management products	**2,225**	1,683
– Non-standard assets	**596**	–
– Other	**224**	336
Classified by listing	**348,922**	247,111
– Listed in the mainland China	**835**	990
– Listed outside the mainland China	**216**	972
– Unlisted	**347,871**	245,149
Total other financial investments measured at FVTPL	**357,068**	257,730
Total financial investments measured at FVTPL	**603,353**	513,266

(ii) Financial investments designated at fair value through profit or loss

	2024	2023
Bonds:		
Classified by issuer	**13,665**	12,879
– Government bonds	**43**	228
– Bonds issued by policy banks	**8,820**	4,492
– Bonds issued by commercial banks and other financial institutions	**4,802**	7,327
– Other debt securities	**–**	832
Classified by listing	**13,665**	12,879
– Listed in the mainland China	**11,928**	12,637
– Listed outside the mainland China	**1,646**	242
– Unlisted	**91**	–

23. Financial investments *(continued)*

(b) Debt investments at amortised cost

	2024	2023
Debt investments at amortised cost (i)(ii)	**1,955,920**	1,768,010
Accrued interest	**21,328**	20,796
Subtotal	**1,977,248**	1,788,806
Impairment losses of debt investments at amortised cost (i)(ii)(iii)	**(35,459)**	(39,390)
Impairment losses of accrued interest	**(209)**	(392)
Subtotal	**(35,668)**	(39,782)
Total	**1,941,580**	1,749,024

(i) **Debt investments at amortised cost:**

	2024	2023
Bonds:		
Classified by issuer	**1,848,162**	1,680,262
– Government bonds	**1,240,885**	1,179,073
– Bonds issued by policy banks	**494,867**	442,206
– Bonds issued by commercial banks and other financial institutions	**99,345**	51,732
– Other debt securities	**13,065**	7,251
Classified by listing	**1,848,162**	1,680,262
– Listed in the mainland China	**1,743,427**	1,607,814
– Listed outside the mainland China	**68,301**	41,533
– Unlisted	**36,434**	30,915
Fair value for the listed bonds	**1,960,310**	1,708,448
Other investments:		
Classified by underlying assets	**107,758**	87,748
– Non-standard assets – Loans and advances to customers	**49,046**	73,709
– Non-standard assets – Creditor's beneficiary rights to other commercial banks	**49,403**	3,738
– Non-standard assets – Other	**8,656**	9,622
– Other	**653**	679
Classified by listing	**107,758**	87,748
– Unlisted	**107,758**	87,748
Total	**1,955,920**	1,768,010
Less: Loss allowances	**(35,459)**	(39,390)
Stage 1 (12-month ECL)	**(8,949)**	(13,193)
Stage 2 (Lifetime ECL – not credit-impaired)	**(354)**	(486)
Stage 3 (Lifetime ECL – credit-impaired)	**(26,156)**	(25,711)
Net debt investments at amortised cost	**1,920,461**	1,728,620

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(ii) Analysed by stage of ECL:

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit–impaired)	Total
Debt investments at amortised cost	1,927,893	1,790	26,237	1,955,920
Less: Loss allowances of debt investments at amortised cost	(8,949)	(354)	(26,156)	(35,459)
Net debt investments at amortised cost	1,918,944	1,436	81	1,920,461

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	1,738,945	1,517	27,548	1,768,010
Less: Loss allowances of debt investments at amortised cost	(13,193)	(486)	(25,711)	(39,390)
Net debt investments at amortised cost	1,725,752	1,031	1,837	1,728,620

(iii) Movements of allowances for expected credit loss

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	13,193	486	25,711	39,390
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(40)	40	–	–
– Stage 3	–	–	–	–
Charge/(release) for the year (note 14)	(4,209)	(174)	253	(4,130)
Write-offs/disposals	–	–	–	–
Recovery of debt previously written off	–	–	175	175
Exchange difference	5	2	17	24
Balance as at the end of the year	8,949	354	26,156	35,459

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(iii) Movements of allowances for expected credit loss *(continued)*

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	10,120	960	32,368	43,448
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(37)	37	–	–
– Stage 3	–	(484)	484	–
Charge/(release) for the year (note 14)	3,111	(25)	(4,313)	(1,227)
Write-offs/disposals	(5)	(1)	(2,904)	(2,910)
Recovery of debt previously written off	–	–	66	66
Exchange difference	4	(1)	10	13
Balance as at the end of the year	13,193	486	25,711	39,390

(c) Debt investments at FVTOCI

	2024	2023
Debt investments at FVTOCI (i)	**1,082,577**	889,736
Accrued interest	**9,550**	9,366
Total	**1,092,127**	899,102
Impairment losses of debt investments at FVTOCI (ii)	**(8,620)**	(6,812)
Impairment losses of accrued interest	**(227)**	(148)
Total	**(8,847)**	(6,960)

No impairment allowances are recognised in the consolidated statement of financial position for debt investments at FVTOCI as the carrying amount is at fair value.

(i) Debt investments at FVTOCI:

	2024	2023
Bonds:		
Classified by issuer	**1,082,577**	889,736
– Government bonds	**688,572**	636,625
– Bonds issued by policy banks	**23,685**	35,519
– Bonds issued by commercial banks and other financial institutions	**230,694**	149,397
– Other debt securities	**139,626**	68,195
Classified by listing	**1,082,577**	889,736
– Listed in the mainland China	**781,480**	676,653
– Listed outside the mainland China	**127,562**	105,084
– Unlisted	**173,535**	107,999

23. Financial investments *(continued)*

(c) Debt investments at FVTOCI *(continued)*

(ii) Movements of allowances for expected credit loss

	2024	2023
Balance as at the beginning of the year	**6,812**	6,540
Charge for the year (note 14)	**1,730**	1,009
Write-offs/disposals	**–**	(807)
Exchange difference	**78**	70
Balance as at the end of the year	**8,620**	6,812

(d) Equity investments designated at FVTOCI

	2024	2023
Repossessed equity instruments	**2,596**	2,857
Other	**19,719**	16,792
Total	**22,315**	19,649
Classified by listing		
– Listed in the mainland China	**322**	926
– Listed outside the mainland China	**12,565**	9,515
– Unlisted	**9,428**	9,208
Total	**22,315**	19,649

During the year ended 31 December 2024, the Group disposed part of the equity investments designated at FVTOCI. The fair value of the equity investments disposed at the date of derecognition was RMB1,429 million (2023: RMB1,226 million). The cumulative net of tax loss of RMB4 million (2023: cumulative net of tax loss of RMB49 million) was transferred from investment revaluation reserve to retained earnings on disposal.

24. Particulars of principal subsidiaries of the bank

The following list contains particulars of subsidiaries which principally affect the financial results, assets or liabilities of the Group. Unless otherwise stated, the class of all shares held is ordinary. All of these companies are subsidiaries as defined under Note 4(1) and have been included in the scope of the consolidated financial statements of the Group.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in millions)	% of ownership held by the Bank	Principal activities	Economic nature
CMB International Capital Holdings Corporation Limited (note (i))	Hong Kong	HKD4,129	100%	Investment bank and investment management	Limited liability
CMB Financial Leasing Company Limited (note (ii))	Shanghai	RMB18,000	100%	Finance leasing	Limited liability
CMB Wing Lung Bank Limited (note (iii))	Hong Kong	HKD1,161	100%	Banking	Limited liability
China Merchants Fund Management Co., Ltd. (note (iv))	Shenzhen	RMB1,310	55%	Fund management	Limited liability
CMB Wealth Management Co., Ltd (note (v))	Shenzhen	RMB5,556	90%	Asset management	Limited liability
China Merchants Europe S. A. (note (vi))	Luxembourg	EUR100	100%	Banking	Limited liability
Cigna & CMB Asset Management Company Limited (note (vii))	Beijing	RMB500	(note (vii))	Asset management	Limited liability

24. Particulars of principal subsidiaries of the bank *(continued)*

Notes:

(i) CMB International Capital Holdings Corporation Limited ("CMBIC"), formerly known as Jiangnan Finance Company Limited and CMB International Capital Corporation Limited, is the Bank's wholly-owned subsidiary approved for setting up by the PBOC through its Yin Fu [1998] No. 405. In 2014, the Bank made an additional capital contribution of HKD750 million in CMBIC. The capital of CMBIC increased to HKD1,000 million, and the Bank's shareholding percentage remained unchanged. The Board of Directors passed "The Resolution regarding the Capital Increase and Restructuring of CMBIC" which agreed that the Bank made capital contribution of USD400 million (or its equivalent) to CMBIC on 28 July 2015. The capital contribution was completed on 20 January 2016.

(ii) CMB Financial Leasing Company Limited ("CMBFL") is a wholly-owned subsidiary of the Bank approved for setting up by the former CBIRC through its Yin Jian Fu [2008] No. 110 and commenced its operation in April 2008. In 2014, the Bank made an additional capital contribution of RMB2,000 million in CMBFL. The capital of CMBFL increased to RMB6,000 million and the Bank's shareholding percentage remained unchanged. In August 2021, CMBFL converted RMB6,000 million of its retained earnings into share capital, and the capital of CMBFL increased to RMB12,000 million. The Bank's shareholding percentage remained unchanged. In September 2024, CMBFL converted RMB6,000 million of its retained earnings into share capital, and the capital of CMBFL increased to RMB18,000 million. The Bank's shareholding percentage remained unchanged.

(iii) CMB Wing Lung Bank Limited ("CMB WLB") was formerly known as Wing Lung Bank Limited. On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. CMB WLB became a wholly owned subsidiary of the Bank on 15 January 2009. CMB WLB had withdrawn from listing on the HKEx as of 16 January 2009.

(iv) In 2012, the Bank acquired 21.60% equity interests in China Merchants Fund Management Co., Ltd. ("CMFM"), its former associate, from ING Asset Management B.V. at a consideration of EUR63,567,567.57. Following the settlement of the above consideration in cash, the Bank's shareholding in CMFM increased from 33.40% to 55.00% in 2013. As a result, the Bank obtained the control over CMFM, which became the Bank's subsidiary on 28 November 2013. In December 2017, the Bank made an additional capital contribution of RMB605 million in CMFM, and other shareholders of CMFM also made capital contribution of RMB495 million proportionally. The capital of CMFM increased to RMB1,310 million, and the Bank's shareholding percentage remained unchanged.

(v) CMB Wealth Management Co., Ltd. ("CMBWM") is a wholly-owned subsidiary of the Bank, approved for setting up by the former CBIRC with Yin Bao Jian Fu [2019] No. 981. It was formally established on 1 November 2019. In accordance with the approval of former CBIRC (Yin Bao Jian Fu [2021] No.920)", JPMorgan Asset Management (Asia Pacific) Limited ("JPMorgan Asset Management ") has subscribed for a 10% stake in CMBWM in 2022 with an investment of RMB2,667 million. After the completion of capital injection, CMBWM's registered capital has been increased to approximately RMB5,556 million from RMB5,000 million and the Bank's and JPMorgan Asset Management's shareholdings are 90% and 10% respectively.

(vi) China Merchants Europe S.A. ("CMB Europe S.A.") is a wholly-owned subsidiary of the Bank approved by the former CBIRC with Yin Jian Fu [2016] No. 460. The Bank received an approval from the European Central Bank (ECB) for the establishment of CMB Europe S.A. in Luxembourg in May 2021. In June 2023, the Bank made an additional capital contribution of EUR 50 million in CMB Europe S.A. The capital of CMB Europe S.A. increased to EUR 100 million, and the Bank's shareholding percentage remained unchanged.

(vii) Cigna & CMB Asset Management Company Limited ("CIGNA & CMAM") was registered and established on 18 October 2020 with the approval for setting up by the former CBIRC with Yin Bao Jian Fu [2020] No.708. CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBIC, a subsidiary of the Bank.

25. Interests in joint ventures

	2024	2023
Share of net assets	**19,310**	15,707
Share of profits for the year	**1,713**	1,860
Share of other comprehensive income/(expense) for the year	**2,185**	31

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
CIGNA & CMB Life Insurance Co., Ltd. (note(i))	Limited liability	Shenzhen	RMB2,800	50.00%	50.00%	Life insurance business
Merchants Union Consumer Finance Company Limited (note(ii))	Joint stock limited company	Shenzhen	RMB10,000	50.00%	50.00%	Consumer finance

Notes:

(i) The Group holds 50.00% equity interests in CIGNA & CMB Life Insurance Co., Ltd., ("CIGNA & CMB Life") and Cigna Health and Life Insurance Company ("CHLIC") holds the other 50.00% equity interests. The Bank and CHLIC share the joint venture's risk, profits and losses based on their shareholding proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in a joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"). Former CBIRC approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank and CUNC made a capital contribution of RMB600 million in MUCFC respectively. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. After that, the share capital of MUCFC has reached RMB3,869 million. The Bank and CMB WLB then held 24.15% and 25.85% of equity interests in MUCFC, respectively, and the Group's total shareholding percentage remained at 50%.

In July 2021, CMB WLB transferred all its shares of MUCFC to the Bank. After the transfer, the Bank and CUNC each held 50% of equity interests in MUCFC, and the Group's total shareholding percentage remained unchanged. In October 2021, MUCFC converted RMB1,331 million of its capital reserve and RMB4,800 million of its retained earnings into share capital, and the share capital of MUCFC increased to RMB10,000 million after the conversion.

In July 2023, MUCFC completed the registration of the change of its Chinese name from "招聯消費金融有限公司" to "招聯消費金融股份有限公司".

25. Interests in joint ventures *(continued)*

Summarised financial information with necessary adjustments in accordance with the Group's accounting policies of the joint ventures which are individually material to the Group is as follows:

(i) CIGNA & CMB Life:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income/ (expense)	Total comprehensive income/ (expense)	Cash and cash equivalents	Depreciation and amortisation	Income tax
2024										
CIGNA & CMB Life	**214,689**	**199,905**	**14,784**	**49,553**	**558**	**4,371**	**4,929**	**1,596**	**141**	**(61)**
Group's effective interest	**106,976**	**99,953**	**7,023**	**24,777**	**222**	**2,185**	**2,407**	**798**	**71**	**(31)**
2023										
CIGNA & CMB Life	165,340	155,485	9,855	40,661	429	63	492	2,590	149	(944)
Group's effective interest	82,359	77,743	4,616	20,331	167	31	198	1,295	75	(472)

(ii) MUCFC:

	Assets	Liabilities	Equity	Revenue	Net profit	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2024									
MUCFC	**163,751**	**141,088**	**22,663**	**17,318**	**3,016**	**3,016**	**4,170**	**50**	**440**
Group's effective interest	**81,876**	**70,544**	**11,332**	**8,659**	**1,508**	**1,508**	**2,085**	**25**	**220**
2023									
MUCFC	176,421	156,054	20,367	19,602	3,600	3,600	4,170	44	533
Group's effective interest	88,211	78,027	10,184	9,801	1,800	1,800	2,085	22	267

Summarised financial information of the joint ventures that are not individually material to the Group is as follows:

	Net loss	Other comprehensive expense	Total comprehensive expense
2024			
Other joint ventures	**(626)**	–	**(626)**
Group's effective interest	**(17)**	–	**(17)**
2023			
Other joint ventures	(1,197)	–	(1,197)
Group's effective interest	(107)	–	(107)

26. Interests in associates

	2024	2023
Share of net assets	**11,705**	10,883
Share of profits for the year	**919**	616
Share of other comprehensive income/(expense) for the year	**267**	171

Details of the Group's interest in major associate are as follows:

	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
Bank of Taizhou Co., Ltd. (Note)	Joint stock limited company	Taizhou	RMB1,800	24.8559%	24.8559%	Commercial Bank

Note: The Bank, which originally held a 10% stake in Bank of Taizhou, acquired a total of 14.8559% stake from Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. at a total consideration of RMB3,121 million on 31 May 2021. Upon the completion of the transaction, the Bank held 24.8559% stake of Bank of Taizhou. The Bank can exercise significant influence on Bank of Taizhou and therefore this investment is included in interests in associates.

Summarised financial information of the associate which is individually material to the Group is as follows:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2024										
Bank of Taizhou Co., Ltd.	**412,899**	**375,527**	**37,372**	**12,714**	**4,781**	**982**	**5,763**	**15,429**	**521**	**1,009**
Group's effective interest	**101,380**	**93,341**	**8,039**	**3,160**	**1,096**	**255**	**1,351**	**3,835**	**129**	**251**
2023										
Bank of Taizhou Co., Ltd.	402,413	369,702	32,711	12,552	4,639	184	4,823	9,561	522	1,099
Group's effective interest	98,881	91,893	6,988	3,120	1,052	46	1,098	2,376	130	273

Summarised financial information of the associates that are not individually material to the Group is as follows:

	Net loss	Other comprehensive income/(expense)	Total comprehensive expense
2024			
Other associates	**(726)**	**33**	**(693)**
Group's effective interest	**(177)**	**12**	**(165)**
2023			
Other associates	(5,308)	781	(4,527)
Group's effective interest	(436)	125	(311)

27. Investment properties

	2024	2023
Cost:		
At 1 January	**3,097**	3,301
Transfers in/(out)	**318**	(159)
Disposals	**–**	(79)
Exchange difference	**64**	34
At 31 December	**3,479**	3,097
Accumulated depreciation:		
At 1 January	**1,937**	2,033
Depreciation	**129**	140
Transfers in/(out)	**245**	(204)
Disposals	**–**	(57)
Exchange difference	**51**	25
At 31 December	**2,362**	1,937
Net carrying amount:		
At 31 December	**1,117**	1,160
At 1 January	**1,160**	1,268

As at 31 December 2024, no impairment allowance was considered necessary for investment properties by the Group (31 December 2023: Nil).

Investment properties of the Group mainly represent the leased properties of CMB WLB and the Bank that have been leased out under operating leases. The fair value of the Group's investment properties is determined by the market approach and the method of capitalisation of net rental income. As at 31 December 2024, the fair value of these properties was RMB4,322 million (31 December 2023: RMB4,432 million).

The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	2024	2023
Within 1 year (inclusive)	**199**	227
1 year to 2 years (inclusive)	**187**	196
2 year to 3 years (inclusive)	**165**	165
3 year to 4 years (inclusive)	**104**	136
4 year to 5 years (inclusive)	**106**	79
Over 5 years	**169**	225
Total	**930**	1,028

The fair value hierarchy of the investment properties of the Group are listed as follows:

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2024
Located in the mainland China	**–**	**1,875**	**–**	**1,875**
Located overseas	**–**	**–**	**2,447**	**2,447**
Total	**–**	**1,875**	**2,447**	**4,322**

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2023
Located in the mainland China	–	2,036	–	2,036
Located overseas	–	–	2,396	2,396
Total	–	2,036	2,396	4,432

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

28. Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2024	33,026	3,980	17,338	12,767	104,803	5,210	177,124
Additions	9	1,995	2,529	532	29,732	285	35,082
Reclassification and transfers	1,413	(2,150)	46	402	–	(29)	(318)
Disposals	(237)	–	(839)	(94)	(16,074)	(530)	(17,774)
Exchange difference	113	–	63	16	1,172	7	1,371
At 31 December 2024	34,324	3,825	19,137	13,623	119,633	4,943	195,485
Accumulated depreciation:							
At 1 January 2024	15,984	–	14,582	8,946	16,815	4,270	60,597
Depreciation	1,480	–	1,812	891	6,689	453	11,325
Reclassification and transfers	(245)	–	46	(52)	–	(46)	(297)
Disposals	(186)	–	(838)	(32)	(5,501)	(523)	(7,080)
Exchange difference	88	–	44	15	131	11	289
At 31 December 2024	17,121	–	15,646	9,768	18,134	4,165	64,834
Impairment loss:							
At 1 January 2024	20	–	–	–	1,159	–	1,179
Charge	–	–	–	–	791	–	791
Disposals	(20)	–	–	–	(74)	–	(94)
Exchange difference	–	–	–	–	14	–	14
At 31 December 2024	–	–	–	–	1,890	–	1,890
Net carrying amount:							
At 31 December 2024	17,203	3,825	3,491	3,855	99,609	778	128,761
At 1 January 2024	17,022	3,980	2,756	3,821	86,829	940	115,348

28. Property and equipment *(continued)*

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2023	30,501	3,787	18,516	11,678	85,741	5,478	155,701
Additions	40	2,879	1,145	775	24,689	360	29,888
Reclassification and transfers	2,445	(2,686)	28	380	–	(8)	159
Disposals	(15)	–	(2,374)	(82)	(6,983)	(625)	(10,079)
Exchange difference	55	–	23	16	1,356	5	1,455
At 31 December 2023	33,026	3,980	17,338	12,767	104,803	5,210	177,124
Accumulated depreciation:							
At 1 January 2023	14,339	–	14,791	8,045	13,111	4,344	54,630
Depreciation	1,408	–	2,064	934	5,921	541	10,868
Reclassification and transfers	204	–	24	–	–	(24)	204
Disposals	(10)	–	(2,319)	(40)	(2,400)	(595)	(5,364)
Exchange difference	43	–	22	7	183	4	259
At 31 December 2023	15,984	–	14,582	8,946	16,815	4,270	60,597
Impairment loss:							
At 1 January 2023	20	–	–	–	1,132	–	1,152
Charge	–	–	–	–	183	–	183
Disposals	–	–	–	–	(175)	–	(175)
Exchange difference	–	–	–	–	19	–	19
At 31 December 2023	20	–	–	–	1,159	–	1,179
Net carrying amount:							
At 31 December 2023	17,022	3,980	2,756	3,821	86,829	940	115,348
At 1 January 2023	16,142	3,787	3,725	3,633	71,498	1,134	99,919

(a) As at 31 December 2024, the process of obtaining the registration certificate for the Group's properties with an aggregate net carrying value of RMB2,394 million (31 December 2023: RMB2,476 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(b) As at 31 December 2024, the Group had no significant unused property and equipment (31 December 2023: None).

(c) As at 31 December 2024, the carrying value of mortgaged aircraft and vessels for placements from banks and other financial institutions of the CMBFL was RMB24,026 million (31 December 2023: RMB24,508 million).

(d) The Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	2024	2023
Within 1 year (inclusive)	**11,988**	10,711
1 year to 2 years (inclusive)	**10,327**	8,993
2 year to 3 years (inclusive)	**8,677**	7,906
3 year to 4 years (inclusive)	**8,178**	6,808
4 year to 5 years (inclusive)	**7,634**	6,363
Over 5 years	**29,074**	21,954
Total	**75,878**	62,735

29. Lease contracts

(a) Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2024	6,002	25,044	10	11	31,067
Additions	–	4,423	7	–	4,430
Decrease	(61)	(4,222)	(4)	–	(4,287)
Exchange difference	6	24	–	–	30
At 31 December 2024	5,947	25,269	13	11	31,240
Accumulated depreciation:					
At 1 January 2024	1,557	12,399	8	3	13,967
Depreciation (note 10)	182	3,919	4	2	4,107
Decrease	(2)	(3,759)	(4)	–	(3,765)
Exchange difference	–	41	–	–	41
At 31 December 2024	1,737	12,600	8	5	14,350
Impairment loss:					
At 1 January 2024	59	–	–	–	59
Decrease	(59)	–	–	–	(59)
At 31 December 2024	–	–	–	–	–
Net carrying amount:					
At 31 December 2024	4,210	12,669	5	6	16,890
At 1 January 2024	4,386	12,645	2	8	17,041

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2023	6,000	23,926	10	11	29,947
Additions	–	4,161	–	2	4,163
Decrease	–	(3,055)	–	(2)	(3,057)
Exchange difference	2	12	–	–	14
At 31 December 2023	6,002	25,044	10	11	31,067
Accumulated depreciation:					
At 1 January 2023	1,375	10,953	5	2	12,335
Depreciation (note 10)	182	4,018	3	2	4,205
Decrease	–	(2,584)	–	(1)	(2,585)
Exchange difference	–	12	–	–	12
At 31 December 2023	1,557	12,399	8	3	13,967
Impairment loss:					
At 1 January 2023	59	–	–	–	59
At 31 December 2023	59	–	–	–	59
Net carrying amount:					
At 31 December 2023	4,386	12,645	2	8	17,041
At 1 January 2023	4,566	12,973	5	9	17,553

The Group mainly leases land use rights and buildings for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee.

29. Lease contracts *(continued)*

(b) Lease liabilities

Analysis of the Group's lease liabilities by remaining maturity is as follows:

	2024	2023
Within 1 month (inclusive)	**448**	454
1 month to 3 months (inclusive)	**607**	578
3 months to 1 year (inclusive)	**2,855**	2,804
1 year to 2 years (inclusive)	**3,145**	3,085
2 years to 5 years (inclusive)	**4,560**	4,672
Over 5 years	**1,163**	1,082
Total	**12,778**	12,675

Interest expense on lease liabilities is set out in note 7.

(c) Short-term leases and leases of low-value assets

Short-term lease expense and leases of low-value assets expense are disclosed in note 10. The Group entered into short-term leases for buildings, computer equipment, motor vehicles and other.

(d)

During the year of 2024, total cash outflow of the Group's leases amounted to RMB4,793 million (2023: RMB5,053 million).

(e)

As at 31 December 2024 and 2023, the leases committed but not yet commenced were not significant.

30. Intangible assets

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2024	**10,577**	**1,203**	**11,780**
Additions	**194**	**–**	**194**
Disposals	**(22)**	**–**	**(22)**
Exchange difference	**4**	**43**	**47**
At 31 December 2024	**10,753**	**1,246**	**11,999**
Accumulated amortisation:			
At 1 January 2024	**8,418**	**653**	**9,071**
Charge for the year (note 10)	**636**	**44**	**680**
Disposals	**(20)**	**–**	**(20)**
Exchange difference	**7**	**23**	**30**
At 31 December 2024	**9,041**	**720**	**9,761**
Impairment loss:			
At 1 January 2024	**–**	**–**	**–**
Charge for the year	**42**	**–**	**42**
At 31 December 2024	**42**	**–**	**42**
Net carrying amount:			
At 31 December 2024	**1,670**	**526**	**2,196**
At 1 January 2024	**2,159**	**550**	**2,709**

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2023	10,393	1,181	11,574
Additions	253	–	253
Disposals	(73)	–	(73)
Exchange difference	4	22	26
At 31 December 2023	10,577	1,203	11,780
Accumulated amortisation:			
At 1 January 2023	7,572	600	8,172
Charge for the year (note 10)	888	42	930
Disposals	(46)	–	(46)
Exchange difference	4	11	15
At 31 December 2023	8,418	653	9,071
Net carrying amount:			
At 31 December 2023	2,159	550	2,709
At 1 January 2023	2,821	581	3,402

31. Goodwill

	As at 31 December 2023	Addition during the year	Decrease during the year	As at 31 December 2024
CMB WLB (note (i))	10,177	–	–	10,177
CMFM (note (ii))	355	–	–	355
CMB Network Technology (note (iii))	1	–	–	1
Total	10,533	–	–	10,533
Less: Impairment allowances – CMB WLB	(579)	–	–	(579)
Net carrying amount	9,954	–	–	9,954

Notes:

(i) On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMB WLB are set out in Note 24.

(ii) On 28 November 2013, the Bank acquired a 55.00% equity interests in CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million, of which the Bank accounted for RMB414 million. A sum of RMB355 million, being the excess of acquisition cost of RMB769 million over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMFM are set out in Note 24.

(iii) On 1 April 2015, CMBIC acquired the 100% equity interests in China Merchants Bank Network Technology (Shenzhen) Co., Ltd. ("CMB Network Technology"). On the acquisition date, the fair value of CMB Network Technology's identifiable net assets was RMB3 million. A sum of RMB1 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

Impairment test for goodwill

The recoverable amounts of the CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using a steady growth rate. The growth rate is comparable to the forecast long-term economic growth rate issued by authoritative institutions which does not exceed the long-term average growth rate for the business in which the CGU operates.

The discount rate adopted by the Group is the before-tax rate and reflects the specific risk associated with the CGU. A pre-tax discount rates of CMB WLB and CMFM adopted by the Group are 10% and 11% (2023: 10% and 9%). The Group believes any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

32. Deferred tax assets and deferred tax liabilities

	2024	2023
Deferred tax assets	**83,674**	90,557
Deferred tax liabilities	**(1,592)**	(1,607)
Net amount	**82,082**	88,950

(a) Deferred tax assets/(liabilities) and related temporary differences are attributable to the following items:

	2024		2023	
	Deductible/ (taxable) temporary difference	**Deferred tax**	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets before offsetting qualifying amounts				
Impairment allowances on loans and advances to customers and other assets at amortised cost	**294,876**	**73,469**	297,564	74,251
Financial assets at FVTOCI	**1,389**	**233**	1,605	264
Financial instruments at FVTPL	**845**	**209**	451	113
Lease liabilities	**12,656**	**3,163**	12,543	3,135
Salaries and welfare payable and other	**92,695**	**22,081**	84,873	20,538
Total	**402,461**	**99,155**	397,036	98,301
Deferred tax liabilities before offsetting qualifying amounts				
Financial assets at FVTOCI	**(32,611)**	**(8,153)**	(9,985)	(2,496)
Financial instruments at FVTPL	**(9,597)**	**(2,399)**	(1,904)	(476)
Right-of-use assets	**(12,575)**	**(3,142)**	(12,317)	(3,133)
Other	**(22,188)**	**(3,379)**	(19,476)	(3,246)
Total	**(76,971)**	**(17,073)**	(43,682)	(9,351)

	2024	2023
Deferred tax assets before offsetting qualifying amounts	**99,155**	98,301
Offsetting amounts	**(15,481)**	(7,744)
Deferred tax assets after offsetting qualifying amounts	**83,674**	90,557
Deferred tax liabilities before offsetting qualifying amounts	**(17,073)**	(9,351)
Offsetting amounts	**15,481**	7,744
Deferred tax liabilities after offsetting qualifying amounts	**(1,592)**	(1,607)

32. Deferred tax assets and deferred tax liabilities *(continued)*

(b) Movements of deferred tax

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Other	Total
At 1 January 2024	74,251	(2,232)	(363)	17,294	88,950
Recognised in profit or loss	(808)	1,004	(1,828)	1,468	(164)
Recognised in other comprehensive income	–	(6,704)	–	4	(6,700)
Exchange difference	26	12	1	(43)	(4)
At 31 December 2024	73,469	(7,920)	(2,190)	18,723	82,082

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Other	Total
At 1 January 2023	75,278	(1,012)	237	14,835	89,338
Recognised in profit or loss	(1,045)	(730)	(592)	2,450	83
Recognised in other comprehensive income	–	(493)	–	9	(484)
Exchange difference	18	3	(8)	–	13
At 31 December 2023	74,251	(2,232)	(363)	17,294	88,950

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

33. Other assets

	2024	2023
Amounts pending for settlement	**14,206**	13,842
Continuing involvement assets	**5,274**	5,274
Accrued interest	**4,662**	4,526
Prepaid lease payments	**482**	203
Repossessed assets (a)	**383**	417
Guarantee deposits	**629**	563
Prepayment for leasehold improvement and other miscellaneous items	**6,617**	7,436
Post-employment benefits: defined benefit plan (note 39(b))	**71**	50
Other	**23,989**	21,573
Total	**56,313**	53,884

(a) Repossessed assets

	2024	2023
Land and buildings	**506**	551
Other repossessed assets	**5**	5
Total	**511**	556
Less: Impairment allowances	**(128)**	(139)
Net repossessed assets	**383**	417

Note: In 2024, the Group disposed of repossessed assets with a total carrying value of RMB52 million (2023: RMB56 million).

34. Deposits from banks and other financial institutions

	2024	2023
Principal (a)	**699,306**	507,460
Accrued interest	**669**	918
Total	**699,975**	508,378

(a) Analysed by nature of counterparties

	2024	2023
In the mainland China	**697,014**	496,795
– Banks	**37,744**	32,286
– Other financial institutions	**659,270**	464,509
Outside the mainland China	**2,292**	10,665
– Banks	**1,157**	9,884
– Other financial institutions	**1,135**	781
Total	**699,306**	507,460

35. Placements from banks and other financial institutions

	2024	2023
Principal (a)	**234,453**	246,085
Accrued interest	**923**	1,214
Total	**235,376**	247,299

(a) Analysed by nature of counterparties

	2024	2023
In the mainland China	**153,837**	157,360
– Banks	**150,562**	155,595
– Other financial institutions	**3,275**	1,765
Outside the mainland China	**80,616**	88,725
– Banks	**80,397**	88,512
– Other financial institutions	**219**	213
Total	**234,453**	246,085

36. Financial liabilities at fair value through profit or loss

	2024	2023
Financial liabilities held for trading (a)	**29,146**	16,128
Financial liabilities designated at fair value through profit or loss (b)	**38,315**	27,830
Total	**67,461**	43,958

(a) Financial liabilities held for trading

	2024	2023
Financial liabilities related to precious metal	**28,757**	15,748
Short position on bonds	**389**	380
Total	**29,146**	16,128

(b) Financial liabilities designated at fair value through profit or loss

	2024	2023
In the mainland China	**32,489**	21,865
– Other	**32,489**	21,865
Outside the mainland China	**5,826**	5,965
– Certificates of deposit issued	**–**	212
– Debt securities issued	**5,567**	5,179
– Other	**259**	574
Total	**38,315**	27,830

As at 31 December 2024 and 2023, the difference between the fair values of the Group's financial liabilities designated at fair value through profit or loss and the contractual payable amount at maturity is not significant. The amounts of changes in the fair value of these liabilities that are attributable to changes in credit risk of the Group are not significant during the years ended 31 December 2024 and 2023 and as at 31 December 2024 and 2023.

37. Amounts sold under repurchase agreements

	2024	2023
Principal (a)(b)	**83,747**	134,863
Accrued interest	**295**	215
Total	**84,042**	135,078

(a) Analysed by nature of counterparties

	2024	2023
In the mainland China	**60,182**	117,668
– Banks	**56,941**	108,366
– Other financial institutions	**3,241**	9,302
Outside the mainland China	**23,565**	17,195
– Banks	**11,759**	10,316
– Other financial institutions	**11,806**	6,879
Total	**83,747**	134,863

(b) Analysed by underlying assets

	2024	2023
Debt securities	**83,747**	117,032
– Government bonds	**57,326**	84,438
– Bonds issued by policy banks	**8,530**	17,266
– Bonds issued by commercial banks and other financial institutions	**11,128**	6,592
– Other debt securities	**6,763**	8,736
Discounted bills	**–**	17,831
Total	**83,747**	134,863

38. Deposits from customers

	2024	2023
Principal (a)	**9,096,587**	8,155,438
Accrued interest	**98,742**	85,060
Total	**9,195,329**	8,240,498

(a) Analysed by nature of counterparties

	2024	2023
Corporate customers	**5,063,553**	4,660,522
– Demand deposits	**2,772,365**	2,644,685
– Time deposits	**2,291,188**	2,015,837
Retail customers	**4,033,034**	3,494,916
– Demand deposits	**1,980,251**	1,829,612
– Time deposits	**2,052,783**	1,665,304
Total	**9,096,587**	8,155,438

(b) The deposits taken from customers as collateral or for the purpose of guarantees are as follows:

	2024	2023
Guarantee for acceptance bills	**283,883**	240,613
Guarantee for loans	**12,086**	10,792
Guarantee for issuing letters of credit	**27,385**	23,843
Deposit for letters of guarantee	**53,126**	47,694
Other	**21,087**	27,788
Total	**397,567**	350,730

39. Staff welfare scheme

(a) Salaries and welfare payable

	2024			
	Beginning balance	Charge/ (Decrease) for the year	Payment/ transfers in the year	Ending balance
Short-term employee benefits (i)	**28,314**	**62,029**	**(55,979)**	**34,364**
Post-employment benefits – defined contribution plans (ii)	**361**	**6,059**	**(6,272)**	**148**
Other long-term employee benefits (iii)				
– cash settled share-based transactions	**4**	**–**	**(4)**	**–**
Total	**28,679**	**68,088**	**(62,255)**	**34,512**

	2023				
	Beginning balance	Charge/ (Decrease) for the year	Payment/ transfers in the year	Decrease for the year arising from disposal of subsidiaries	Ending balance
Short-term employee benefits (i)	23,075	61,371	(56,099)	(33)	28,314
Post-employment benefits – defined contribution plans (ii)	765	5,540	(5,944)	–	361
Other long-term employee benefits (iii)					
– cash settled share-based transactions	26	(18)	(4)	–	4
Total	23,866	66,893	(62,047)	(33)	28,679

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(i) Short-term employee benefits

	2024			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Salaries and bonus	**23,592**	**52,627**	**(47,381)**	**28,838**
Welfare expense	**15**	**2,389**	**(2,350)**	**54**
Social insurance	**362**	**1,954**	**(1,974)**	**342**
– Medical insurance	**345**	**1,812**	**(1,830)**	**327**
– Injury insurance	**6**	**50**	**(51)**	**5**
– Maternity insurance	**11**	**92**	**(93)**	**10**
Housing reserve	**141**	**2,940**	**(3,030)**	**51**
Labour union and employee education expenses	**4,204**	**2,119**	**(1,244)**	**5,079**
Total	**28,314**	**62,029**	**(55,979)**	**34,364**

	2023				
	Beginning balance	Charge for the year	Payment/ transfers in the year	Decrease for the year arising from disposal of subsidiaries	Ending balance
Salaries and bonus	18,888	52,040	(47,303)	(33)	23,592
Welfare expense	17	2,883	(2,885)	–	15
Social insurance	371	1,809	(1,818)	–	362
– Medical insurance	353	1,679	(1,687)	–	345
– Injury insurance	6	41	(41)	–	6
– Maternity insurance	12	89	(90)	–	11
Housing reserve	157	2,602	(2,618)	–	141
Labour union and employee education expenses	3,642	2,037	(1,475)	–	4,204
Total	23,075	61,371	(56,099)	(33)	28,314

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(ii) Post-employment benefits-defined contribution plans

	2024			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	**179**	**3,519**	**(3,629)**	**69**
Supplementary pension	**161**	**2,430**	**(2,525)**	**66**
Unemployment insurance	**21**	**110**	**(118)**	**13**
Total	**361**	**6,059**	**(6,272)**	**148**

	2023			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	151	3,465	(3,437)	179
Supplementary pension	591	1,996	(2,426)	161
Unemployment insurance	23	79	(81)	21
Total	765	5,540	(5,944)	361

In accordance with the regulations in the PRC, the Group participates in statutory pension schemes organised by the municipal and provincial governments for its all employees (endowment insurance). During the year ended 31 December 2024, the Group's contributions to these pension schemes are determined by local governments and vary at a range of 14% to 16% (2023: 14% to 16%) of the staff salaries and bonuses.

In addition to the above statutory pension schemes, the Group has established a supplementary defined contribution plan for its employees (annuity insurance) in accordance with relevant annuity policies for corporate entities in the PRC. During the year ended 31 December 2024, the Group's annual contributions to this plan are calculated at a rate not exceeding 8% of the staff salaries and bonuses (2023: not exceeding 8.33%).

For its employees outside the mainland China, the Group participates in defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations.

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(iii) Other long-term employee benefits

The Group has offered 10 phases of H share appreciation rights under the Scheme. After Forfeiting 0.45 million shares this year, as of 31 December 2024, the unexercised portion of H share appreciation rights is zero (31 December 2023: unexercised 0.45 million shares).

The number of share appreciation rights granted:

	2024			
	Phase IX (in thousands)	Phase X (in thousands)	Total (in thousands)	Accumulated Exercised/ Forfeited (in thousands)
Wang Liang	–	–	–	**810**
Total	–	–	–	**810**

	2023			
	Phase IX (in thousands)	Phase X (in thousands)	Total (in thousands)	Accumulated Exercised/ Forfeited (in thousands)
Wang Liang	210	240	450	360
Total	210	240	450	360

Note: In 2024, senior management had exercised none shares of appreciation rights (2023: 0.16 million) and none weighted average exercise price (2023: HKD12.81).

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan

The Group's subsidiary CMB WLB operates a defined benefit plan (the "plan") for the staff, which includes a defined benefit scheme and a defined benefit pension scheme. Contributions to the plan are determined based on periodic valuations by qualified actuaries on the assets and liabilities of the plan. The plan provides benefits based on members' final salary. The costs are solely funded by CMB WLB.

The latest actuarial valuation of the plan as at 31 December 2024 was performed by Towers Watson Hong Kong Limited, a professional actuarial firm in accordance with IAS 19 *Employee Benefits*. The present values of the defined benefit obligation and current service cost of the plan are calculated based on the projected unit credit method. At the valuation date, the plan had a funding level of 133% (2023: 123%).

The amounts recognised in the consolidated statement of financial position as at 31 December 2024 and 2023 are analysed as follows:

	2024	2023
Fair value of the plan assets	**283**	267
Present value of the funded defined benefit obligation	**(212)**	(217)
Net asset recognised in the consolidated statement of financial position	**71**	50

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts receivable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. No contribution to the plan is expected to be paid in 2025.

There was no plan amendment, curtailment or settlement impact for the years ended 31 December 2024 and 2023.

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2024	2023
Current service cost	**(7)**	(8)
Net interest income	**1**	1
Net expense for the year included in retirement benefit costs	**(6)**	(7)

The actual gain on the plan assets for the year ended 31 December 2024 was RMB24 million (2023: gain of RMB9 million).

The movements in the defined benefit obligation during the year are as follows:

	2024	2023
Present value of obligation at 1 January	**217**	235
Current service cost	**7**	8
Interest cost	**7**	8
Actual benefits paid	**(18)**	(33)
Actuarial gains or losses due to liability experience	**12**	(1)
Actuarial gains or losses due to financial assumption changes	**(20)**	(4)
Actuarial gains or losses due to demographic assumption changes	**–**	–
Exchange difference	**7**	4
Actual obligation at 31 December	**212**	217

The movements in the fair value of the plan assets during the year are as follows:

	2024	2023
Fair value of the plan assets at 1 January	**267**	285
Interest income	**8**	9
Expected return on plan assets	**16**	–
Actual benefits paid	**(18)**	(33)
Exchange difference	**10**	6
Fair value of the plan assets at 31 December	**283**	267

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan *(continued)*

The major categories of the plan assets are as follows:

	2024		2023	
	Amount	%	Amount	%
Equities	**155**	**54.8**	145	54.3
Bonds	**56**	**19.8**	52	19.5
Cash	**72**	**25.4**	70	26.2
Total	**283**	**100.0**	267	100.0

As at 31 December 2024, deposit with the Bank included in the amount of the plan assets was RMB63 million (2023: RMB61 million).

The principal actuarial assumptions adopted in the valuation are as follows:

	2024 %	2023 %
Discount rate		
– Defined benefit scheme	**3.1**	3.1
– Defined benefit pension scheme	**3.7**	4.1
Long-term average rate of salary increase for the plan	**3.0**	4.5
Pension increase rate for the defined benefit pension plan	**–**	–

In 2024 and 2023, there were no significant change in the amount of retirement benefit plan liabilities due to changes in the above-mentioned actuarial assumptions.

40. Tax payable

	2024	2023
Corporate income tax	**5,680**	7,301
Value added tax	**3,963**	4,035
Other	**2,070**	2,261
Total	**11,713**	13,597

41. Contract liabilities

	2024	2023
Credit card points	**2,838**	4,132
Other deferred fee and commission income	**1,355**	1,354
Total	**4,193**	5,486

42. Provisions

	2024	2023
Expected credit loss on provisions	**14,712**	17,404
Other	**2,050**	2,258
Total	**16,762**	19,662

The expected credit loss for loan commitments and financial guarantee contracts by stages are as follows:

	2024	2023
Stage 1 (12-month ECL)	**12,560**	15,200
Stage 2 (Lifetime ECL-not credit-impaired)	**1,338**	1,341
Stage 3 (Lifetime ECL-credit-impaired)	**814**	863
Total	**14,712**	17,404

43. Debt securities issued

	Notes	2024	2023
Debt securities issued	(a)	**85,003**	119,193
Negotiable interbank certificates of deposit issued		**89,186**	21,443
Certificates of deposit and other debt securities issued (note)		**47,394**	34,128
Accrued interest		**1,338**	1,814
Total		**222,921**	176,578

Note: Other debt securities issued are notes issued by overseas subsidiaries of the Bank.

(a) Debt securities issued

As at the end of the reporting period, debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	2021/3/11	3.40	RMB10,000	9,999	–	1	–	(10,000)	–
Fixed rate bond	36 months	2021/6/3	3.18	RMB20,000	19,997	–	3	–	(20,000)	–
Fixed rate bond	36 months	2021/8/24	2.90	RMB10,000	9,998	–	2	–	(10,000)	–
Medium term note	60 months	2021/9/1	1.25	USD300	2,130	–	(3)	68	–	2,195
Medium term note	36 months	2022/3/2	2.00	USD400	2,847	–	(1)	92	–	2,938
Fixed rate bond	36 months	2022/5/11	2.65	RMB5,000	4,999	–	1	–	–	5,000
Fixed rate bond	36 months	2022/9/1	2.40	RMB10,000	9,998	–	1	–	–	9,999
Fixed rate bond	36 months	2023/3/27	2.77	RMB5,000	4,999	–	–	–	–	4,999
Medium term note	36 months	2023/6/13	SOFR+0.65	USD400	2,846	–	–	81	–	2,927
Fixed rate bond	36 months	2024/3/22	2.35	RMB5,000	–	5,000	(1)	–	–	4,999
Medium term note	36 months	2024/7/10	5.22	USD400	–	2,851	–	104	–	2,955
Medium term note	36 months	2024/7/15	5.78	USD300	–	2,139	(3)	76	–	2,212
Total					67,813	9,990	–	421	(40,000)	38,224

SOFR represents Secured Overnight Financing Rate.

Note: Financial bonds issued by the Bank that were held by CMB WLB amounted to a total of 364 million RMB equivalent as of 31 December 2024 (31 December 2023: 354 million RMB equivalent).

43. Debt securities issued *(continued)*

(a) Debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBFL and its subsidiary were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	60 months	2019/3/13	4.00	RMB500	500	–	–	–	(500)	–
Fixed rate bond	60 months	2019/7/3	3.00	USD900	6,382	–	6	30	(6,418)	–
Fixed rate bond	120 months	2019/7/3	3.63	USD100	706	–	1	9	–	716
Fixed rate bond	120 months	2020/7/14	4.25	RMB2,000	1,995	–	–	–	–	1,995
Fixed rate bond	60 months	2020/8/12	1.88	USD800	5,670	–	5	73	–	5,748
Fixed rate bond	120 months	2020/8/12	2.75	USD400	2,821	–	3	36	–	2,860
Fixed rate bond	36 months	2021/1/26	3.60	RMB4,000	4,000	–	–	–	(4,000)	–
Fixed rate bond	60 months	2021/2/4	2.00	USD400	2,834	–	2	37	–	2,873
Fixed rate bond	120 months	2021/2/4	2.88	USD400	2,815	–	3	37	–	2,855
Fixed rate bond	36 months	2021/3/22	3.58	RMB2,000	2,000	–	–	–	(2,000)	–
Fixed rate bond	60 months	2021/3/24	2.00	USD20	141	–	–	2	–	143
Fixed rate bond	36 months	2021/9/16	1.25	USD600	4,255	–	4	3	(4,262)	–
Fixed rate bond	60 months	2021/9/16	1.75	USD300	2,120	–	4	27	–	2,151
Fixed rate bond	36 months	2021/9/16	0.50	EUR100	789	–	–	(2)	(787)	–
Floating rate bond	60 months	2022/12/16	SOFR+1.40	USD100	709	–	–	10	–	719
Fixed rate bond	24 months	2023/2/17	3.50	RMB500	499	–	1	–	–	500
Floating rate bond	12 months	2023/2/28	SOFR+0.75	USD60	426	–	–	–	(426)	–
Floating rate bond	24 months	2023/5/31	SOFR+1.00	USD75	532	–	–	7	–	539
Floating rate bond	36 months	2023/6/13	SOFR+1.05	USD103	729	–	1	9	–	739
Fixed rate bond	18 months	2023/7/10	3.05	RMB700	700	–	–	–	–	700
Floating rate bond	24 months	2023/8/16	SOFR+0.95	USD100	708	–	1	10	–	719
Floating rate bond	60 months	2023/8/18	SOFR+1.30	USD50	353	–	–	5	–	358
Floating rate bond	36 months	2023/8/23	SOFR+1.00	USD300	2,122	–	3	27	–	2,152
Floating rate bond	24 months	2023/8/25	SOFR+0.95	USD100	709	–	1	8	–	718
Floating rate bond	6 months	2023/10/27	SOFR+0.70	USD20	142	–	–	–	(142)	–
Floating rate bond	12 months	2023/10/27	SOFR+0.75	USD22	156	–	–	–	(156)	–
Fixed rate bond	36 months	2023/11/16	2.80	RMB2,500	2,494	–	2	–	–	2,496
Fixed rate bond	36 months	2023/11/27	3.35	RMB350	348	–	1	–	–	349
Floating rate bond	36 months	2023/11/30	SOFR+1.10	USD50	355	–	–	4	–	359
Fixed rate bond	36 months	2023/12/5	2.90	RMB4,000	3,990	–	4	–	–	3,994
Fixed rate bond	36 months	2024/3/5	2.45	RMB3,000	–	3,000	(5)	–	–	2,995
Floating rate bond	36 months	2024/3/12	SOFR+1.05	USD40	–	284	–	4	–	288
Floating rate bond	36 months	2024/3/27	SOFR+1.00	USD67	–	475	–	6	–	481
Floating rate bond	6 months	2024/3/28	SOFR+0.65	USD20	–	142	–	(2)	(140)	–
Floating rate bond	12 months	2024/4/16	SOFR+0.64	USD20	–	142	–	2	–	144
Floating rate bond	12 months	2024/4/22	SOFR+0.65	USD30	–	213	–	3	–	216
Fixed rate bond	36 months	2024/5/23	2.20	RMB2,500	–	2,500	(5)	–	–	2,495
Floating rate bond	36 months	2024/6/4	SOFR+0.76	USD500	–	3,554	2	32	–	3,588
Floating rate bond	34 months	2024/8/7	SOFR+0.76	USD257	–	1,835	2	12	–	1,849
Floating rate bond	36 months	2024/10/8	SOFR+0.76	USD30	–	212	–	4	–	216
Floating rate bond	48 months	2024/10/25	SOFR+0.639	USD30	–	213	–	3	–	216
Floating rate bond	12 months	2024/11/20	SOFR+0.45	USD50	–	360	–	(1)	–	359
Floating rate bond	12 months	2024/11/27	SOFR+0.49	USD100	–	720	–	(1)	–	719
Floating rate bond	12 months	2024/12/17	SOFR+0.49	USD30	–	216	–	–	–	216
Total					52,000	13,866	36	394	(18,831)	47,465

Note: Financial bonds issued by CMBFL that were held by the Bank amounted to nil as of 31 December 2024 (31 December 2023: 600 million RMB equivalent). Financial bonds issued by CMB International Leasing Management Limited (CMBILM), a wholly-owned subsidiary of CMBFL, that were separately held by the Bank, CMB WLB and CMBIC amounted to a total of 1,533 million RMB equivalent, 236 million RMB equivalent and nil as of 31 December 2024 (31 December 2023: 3,212 million RMB equivalent, 563 million RMB equivalent and 70 million RMB equivalent).

43. Debt securities issued *(continued)*

(a) Debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBIC's subsidiary was as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	36 months	2021/6/2	1.38	USD600	4,254	–	–	11	(4,265)	–
Fixed rate bond	24 months	2024/4/29	3.15	RMB720	–	720	(1)	–	–	719
Floating rate bond	36 months	2024/6/26	SOFR+0.65	USD100	–	712	–	16	–	728
Total					4,254	1,432	(1)	27	(4,265)	1,447

Note: Financial bond issued by Legend Fortune Limited, a wholly-owned subsidiary of CMBIC, that was held by CMB WLB amounted to nil as of 31 December 2024 (31 December 2023: 75 million RMB equivalent).

44. Other liabilities

	2024	2023
Clearing and settlement accounts	**15,151**	20,845
Salary risk allowances (note)	**48,950**	48,950
Continuing involvement liability	**5,274**	5,274
Collecting on behalf of customers	**885**	665
Cheques and remittances returned	**7**	7
Other payable	**40,123**	37,454
Total	**110,390**	113,195

Note: Salary risk allowances are specific funds withheld from the employees' annual remunerations of which the payments are delayed for the purpose of risk management. The allocation of the funds is based on performance assessment and risk management results, taking into account the short term and long term benefit. In the event of a decline in the asset quality, a sharp deterioration of risk profiles and profitability, the occurrence of legal case, or a significant regulatory violation identified by any regulatory authorities, the relevant employees will be restricted from the allocation of these allowances.

45. Share capital

By type of shares:

	2024 and 2023 No. of shares (in million)
– A Shares	20,629
– H Shares	4,591
Total	25,220

All H Shares are ordinary shares and rank pari passu with the A Shares. There is no restriction on these shares.

	Capital	
	No. of shares (in million)	Amount (in million)
At 31 December 2024 and 2023	25,220	25,220

46. Other equity instruments

(a) Preference shares

	Issuance date	Accounting classification	Dividend rate	Issue price	No. (millions of shares)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Preference Shares (note (i))	22 Dec 2017	Equity instruments	3.62%	RMB100/Share	275	27,468	Perpetual existence	Note (ii)	None
Total					275	27,468			

The changes of Preference Shares issued were as follows:

		1 January 2024		Increase/decrease		31 December 2024	
	Issuance date	No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)
Domestic Preference Shares (note (i))	22 Dec 2017	275	27,468	–	–	**275**	**27,468**
Total		275	27,468	–	–	**275**	**27,468**

Notes:

(i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate nominal value of RMB27,500 million on 22 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially at 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%. On 18 December 2022, five years after the issuance of the Domestic Preference Shares, the Bank adjusted the dividend rate per annum to 3.62% in accordance with market rules.

(ii) Domestic Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier-1 Capital Instrument Trigger Event, that is, the Core Tier-1 Capital Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier-2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares. A Tier-2 Capital Trigger Event refers the earlier of the following events: 1) NFRA having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the NFRA for review and determination. The Bank shall fulfill the relevant information disclosure requirements of the Securities Law, the CSRC and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

Dividends on the Domestic Preference Shares shall be paid in cash. Save for such dividend at the agreed dividend rate, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary shares distribution, until the Preference Shares dividend is resumed in full. As the dividends on the Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to Preference Shares holders.

The Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the NFRA, the Domestic Preference Shares may be redeemed in whole or in part at the discretion of the Bank, but the Bank does not have the obligation to redeem the Preference Shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

After deducting the issuance expenses from the Preference Shares above, the total net proceeds of RMB27,468 million have been included in additional Tier 1 capital of the Bank.

46. Other equity instruments *(continued)*

(b) Perpetual bonds

	Issuance date	Accounting classification	Interest rate	Issue price	No. (millions of units)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Perpetual Bonds (note (i))	9 Jul 2020	Equity instruments	3.95%	RMB 100/Unit	500	49,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	Equity instruments	3.69%	RMB 100/Unit	430	42,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	Equity instruments	3.41%	RMB 100/Unit	300	30,000	Perpetual existence	None	None
Domestic Perpetual Bonds (note (iv))	5 Nov 2024	Equity instruments	2.42%	RMB 100/Unit	300	30,000	Perpetual existence	None	None
Total					1,530	152,978			

The movement of Perpetual Bonds issued were as follows:

		1 January 2024		Increase		31 December 2024	
	Issuance date	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)
Domestic Perpetual Bonds (note (i))	9 Jul 2020	500	49,989	–	–	**500**	**49,989**
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	430	42,989	–	–	**430**	**42,989**
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	300	30,000	–	–	**300**	**30,000**
Domestic Perpetual Bonds (note (iv))	5 Nov 2024	–	–	300	30,000	**300**	**30,000**
Total		1,230	122,978	300	30,000	**1,530**	**152,978**

Notes:

(i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of 2020 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Series 1) (the "Perpetual Bonds 2020") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2020. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2020 will continue to be outstanding so long as the Bank continues to operate.

(ii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB43,000 million of 2021 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2021") in the national inter-bank bond market on 7 December 2021. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2021. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2021 will continue to be outstanding so long as the Bank continues to operate.

(iii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB30,000 million of 2023 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (the "Perpetual Bonds 2023) in the national inter-bank bond market on 1 December 2023. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2023. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2023 will continue to be outstanding so long as the Bank continues to operate.

(iv) With the approval of the relevant regulatory authorities in China, the Bank issued RMB30,000 million of 2024 China Merchants Bank Co., Ltd. Undated Additional Tier-1 Capital Bonds (Bond Connect) (the "Perpetual Bonds 2024, together with Perpetual Bonds 2020, Perpetual Bonds 2021 and Perpetual Bonds 2023, Perpetual Bonds") in the national inter-bank bond market on 5 November 2024. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2024. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2024 will continue to be outstanding so long as the Bank continues to operate.

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or in part the Perpetual Bonds on the annual interest payment date (including the interest payment date on the fifth year since the issuance date) subject to the approval of the NFRA and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

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-1 capital instruments of the Bank that rank pari passu with the Perpetual Bonds.

The coupon rate will be reset on each benchmark rate reset date (i.e. the date of every five years from the issuance date). The adjusted coupon rate will be determined based on the benchmark interest rate at adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The bond interests are non-cumulative, and any cancelled distribution is not carried to the following year. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. Cancellation of any distributions to the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

46. Other equity instruments *(continued)*

(b) Perpetual bonds *(continued)*

Notes: *(continued)*

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write off in whole or in part, without the need for the consent of the bond holders, the principal amount of the Perpetual Bonds. A Non-Viability Trigger Event refers to the earlier of the following events: (i) NFRA having concluded that without a write-off, the Bank would become non-viable; (ii) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write-off will not be restored.

After deducting the issuance expenses, the funds raised by the bonds issuances have been used to supplement additional Tier 1 capital of the Bank in accordance with applicable laws and the approval of the relevant authorities.

(c) Relative information attributed to equity instrument holders

	2024	2023
Equity attributed to shareholders of the Bank	**1,226,014**	1,076,370
– Equity attributed to ordinary shareholders of the Bank	**1,045,568**	925,924
– Equity attributed to other equity instrument holders of the Bank	**180,446**	150,446
Including: Net profit	**5,581**	4,558
Total comprehensive income	**5,581**	4,558
Distributions in current year	**(5,581)**	(4,558)
Cumulative undistributed dividends	**–**	–
Equity attributed to non-controlling interests	**7,461**	9,359
– Equity attributed to non-controlling holders of ordinary shares	**7,461**	6,521
– Equity attributed to non-controlling holders of perpetual debt capital (note 62(a))	**–**	2,838

47. Capital Reserve

Capital reserve primarily represents share premium of the Bank.

	2024	2023
At 1 January	**65,432**	65,435
Decrease	**(3)**	(3)
At 31 December	**65,429**	65,432

48. Investment Revaluation Reserve

	2024	2023
Debt instruments measured at FVTOCI: investment revaluation reserve	**29,946**	10,596
Fair value gain on equity instruments designated at FVTOCI	**5,916**	3,009
Remeasurement of defined benefit scheme	**102**	82
Share of other comprehensive expense of equity-accounted investees	**2,421**	(31)
Total	**38,385**	13,656

49. Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges. Subsequent recognition of the hedged cash flow is accounted for in accordance with the accounting policy adopted for cash flow hedge in Note 4(5).

50. Surplus reserve

Statutory surplus reserve is calculated according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") and is provided at 10% of the audited profit after tax of the Bank.

	2024	2023
At 1 January	**108,737**	94,985
Appropriation for the year	**13,915**	13,752
At 31 December	**122,652**	108,737

51. General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. The balance of general reserve includes 1.5% of the ending balance of risk assets, country risk provisions allocated as required by regulations for country risk exposures with medium, high, and very high country risk ratings and 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

	2024	2023
At 1 January	**141,481**	132,471
Appropriation for the year	**13,451**	9,010
At 31 December	**154,932**	141,481

52. Profit appropriations

(a) Dividends approved/declared by shareholders

	2024	2023
Ordinary share dividends in 2023, approved and declared: RMB1.972 per share	**49,734**	–
Ordinary share dividends in 2022, approved and declared: RMB1.738 per share	–	43,832

(b) Proposed profit appropriations

	2024	2023
Statutory surplus reserve	**13,915**	13,752
General reserve	**13,451**	9,010
Dividends – cash dividend: RMB2.000 per share (2023: RMB1.972 per share)	**50,440**	49,734
Total	**77,806**	72,496

2024 final dividends is proposed in accordance with the resolution passed at the meeting of the Board of Directors held on 25 March 2025 and will be submitted to the 2024 Annual General Meeting for approval.

53. Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the mainland China.

54. The bank's statement of financial position and changes in the bank's equity

	2024	2023
Assets		
Cash	**16,119**	14,499
Precious metals	**9,307**	2,245
Balances with central banks	**555,154**	666,550
Balances with banks and other financial institutions	**173,859**	55,168
Placements with banks and other financial institutions	**376,530**	261,190
Amounts held under resale agreements	**269,987**	169,450
Loans and advances to customers	**6,300,684**	5,916,313
Financial assets at fair value through profit or loss	**546,965**	465,708
Derivative financial assets	**31,815**	18,014
Debt investments at amortised cost	**1,908,600**	1,707,032
Debt investments at fair value through other comprehensive income	**922,824**	783,051
Equity investments designated at fair value through other comprehensive income	**11,517**	10,956
Investments in subsidiaries	**61,645**	54,731
Interests in joint ventures	**18,724**	15,111
Interests in associates	**8,042**	6,991
Investment properties	**841**	836
Property and equipment	**27,695**	26,690
Right-of-use assets	**16,324**	16,321
Intangible assets	**1,292**	1,720
Deferred tax assets	**80,031**	87,177
Other assets	**40,659**	37,470
Total assets	**11,378,614**	10,317,223
Liabilities		
Borrowing from central banks	**189,934**	378,504
Deposits from banks and other financial institutions	**692,390**	484,620
Placements from banks and other financial institutions	**46,741**	71,077
Financial liabilities at fair value through profit or loss	**34,469**	21,281
Derivative financial liabilities	**31,089**	16,653
Amounts sold under repurchase agreements	**53,887**	114,008
Deposits from customers	**8,874,817**	7,953,958
Salaries and welfare payable	**29,751**	23,911
Tax payable	**9,668**	11,904
Contract liabilities	**4,159**	5,466
Lease liabilities	**12,294**	12,039
Provisions	**16,638**	19,530
Debt securities issued	**156,146**	107,858
Other liabilities	**83,546**	89,220
Total liabilities	**10,235,529**	9,310,029
Equity		
Share capital	**25,220**	25,220
Other equity instruments	**180,446**	150,446
Capital reserve	**76,076**	76,079
Investment revaluation reserve	**36,366**	14,354
Hedging reserve	**4**	11
Surplus reserve	**122,652**	108,737
General reserve	**142,486**	129,085
Retained earnings	**508,957**	453,168
Proposed profit appropriation	**50,440**	49,734
Exchange reserve	**438**	360
Total equity	**1,143,085**	1,007,194
Total equity and liabilities	**11,378,614**	10,317,223

54. The bank's statement of financial position and changes in the bank's equity *(continued)*

	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2024	25,220	27,468	122,978	76,079	14,354	11	108,737	129,085	453,168	49,734	360	1,007,194
Changes in equity for the year	–	–	30,000	(3)	22,012	(7)	13,915	13,401	55,789	706	78	135,891
Net profit for the year	–	–	–	–	–	–	–	–	139,148	–	–	139,148
Other comprehensive income for the year	–	–	–	–	21,990	(7)	–	–	–	–	78	22,061
Total comprehensive income for the year	–	–	–	–	21,990	(7)	–	–	139,148	–	78	161,209
Issue of perpetual bonds	–	–	30,000	(3)	–	–	–	–	–	–	–	29,997
Profit appropriations	–	–	–	–	–	–	13,915	13,401	(83,337)	706	–	(55,315)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	13,915	–	(13,915)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	–	13,401	(13,401)	–	–	–
Dividends paid for the year 2023	–	–	–	–	–	–	–	–	–	(49,734)	–	(49,734)
Proposed dividends for the year 2024	–	–	–	–	–	–	–	–	(50,440)	50,440	–	–
Dividends to preference shares	–	–	–	–	–	–	–	–	(996)	–	–	(996)
Distribution to perpetual bonds	–	–	–	–	–	–	–	–	(4,585)	–	–	(4,585)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	22	–	–	–	(22)	–	–	–
At 31 December 2024	25,220	27,468	152,978	76,076	36,366	4	122,652	142,486	508,957	50,440	438	1,143,085

	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2023	25,220	27,468	92,978	76,082	13,144	–	94,985	121,230	391,579	43,832	380	886,898
Changes in equity for the year	–	–	30,000	(3)	1,210	11	13,752	7,855	61,589	5,902	(20)	120,296
Net profit for the year	–	–	–	–	–	–	–	–	137,521	–	–	137,521
Other comprehensive income for the year	–	–	–	–	1,177	11	–	–	–	–	(20)	1,168
Total comprehensive income for the year	–	–	–	–	1,177	11	–	–	137,521	–	(20)	138,689
Issue of perpetual bonds	–	–	30,000	(3)	–	–	–	–	–	–	–	29,997
Profit appropriations	–	–	–	–	–	–	13,752	7,855	(75,899)	5,902	–	(48,390)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	13,752	–	(13,752)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	–	7,855	(7,855)	–	–	–
Dividends paid for the year 2022	–	–	–	–	–	–	–	–	–	(43,832)	–	(43,832)
Proposed dividends for the year 2023	–	–	–	–	–	–	–	–	(49,734)	49,734	–	–
Dividends to preference shares	–	–	–	–	–	–	–	–	(996)	–	–	(996)
Distribution to perpetual bonds	–	–	–	–	–	–	–	–	(3,562)	–	–	(3,562)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	33	–	–	–	(33)	–	–	–
At 31 December 2023	25,220	27,468	122,978	76,079	14,354	11	108,737	129,085	453,168	49,734	360	1,007,194

55. Notes to consolidated cash flow statement

(a) Analysis of the balances of cash and cash equivalents (including assets with original maturity within 3 months):

	2024	2023
Cash and Balances with central banks	**46,957**	140,809
Balance with banks and other financial institutions	**158,646**	84,593
Placements with banks and other financial institutions	**111,547**	105,953
Amounts held under resale agreements	**271,447**	171,542
Debt securities investments and discounted bills	**167,930**	96,122
Total	**756,527**	599,019

(b) 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 flows statement as cash flows from financing activities.

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Accrued interest on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2024	21,443	34,340	124,372	1,814	26	32,616	12,675	227,286
Cash changes:								
Proceeds from the issue	155,569	61,462	24,995	–	–	9,947	–	251,973
Repayment	(90,160)	(49,187)	(59,989)	–	–	(11,775)	(4,793)	(215,904)
Interest/dividend paid	–	–	–	(5,339)	(55,692)	–	–	(61,031)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	4,439	4,439
Accrued interest	–	–	–	4,863	–	–	457	5,320
Dividend declared	–	–	–	–	55,692	–	–	55,692
Discount or premium amortisation	2,334	430	29	–	–	–	–	2,793
Fair value adjustments	–	1	229	–	–	690	–	920
Other	–	–	–	–	–	4,289	–	4,289
Exchange difference	–	348	934	–	–	15	–	1,297
At 31 December 2024	89,186	47,394	90,570	1,338	26	35,782	12,778	277,074

	Negotiable interbank certificates of deposit	Certificates of deposit issued (Note)	Debt securities issued (Note)	Accrued interest on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2023	65,719	15,987	148,674	1,533	26	22,719	13,013	267,671
Cash changes:								
Proceeds from the issue	68,608	66,504	25,201	–	–	17,303	–	177,616
Repayment	(112,584)	(48,267)	(51,146)	–	–	(7,210)	(5,053)	(224,260)
Interest/dividend paid	(2,086)	–	–	(5,396)	(48,860)	–	–	(56,342)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	4,235	4,235
Accrued interest	–	–	–	5,677	–	–	480	6,157
Dividend declared	–	–	–	–	48,860	–	–	48,860
Discount or premium amortisation	1,786	265	53	–	–	–	–	2,104
Fair value adjustments	–	3	191	–	–	(236)	–	(42)
Exchange difference	–	(152)	1,399	–	–	40	–	1,287
At 31 December 2023	21,443	34,340	124,372	1,814	26	32,616	12,675	227,286

Note: Including financial liabilities designated at fair value through profit or loss.

(c) Significant non-cash transactions

There were no significant non-cash transactions during the years ended 31 December 2024 and 2023.

56. Operating Segments

The Group's principal activities are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

The Group manages its businesses by divisions, which are organised by both business lines and geography.

(1) Wholesale finance business

The financial services for corporate clients, government agencies, and financial institutions include: loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business such as placement and repurchase, asset custody business, financial market business, and other services.

(2) Retail finance business

The financial services provided to retail customers include: loan and deposit service, bank card service, wealth management services, private banking and other services.

(3) Other Business

Except for the business mentioned above, other business covers investment properties, subsidiaries except for CMB WLB and CMBFL, associates and joint ventures. None of these segments meet any of the quantitative thresholds so far for segment division.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and apportion according to the relevant factors.

The accounting policies of the operating segments are the same as the Group's accounting policies as stated in Note 4. Operating segment income represents income generated from external customers, inter-segment transactions are offset. No customer contributed 10% or more to the Group's revenue for 2024 and 2023. Internal transactions are conducted at fair value.

56. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
External net interest income	**30,010**	23,074	**120,186**	129,075	**61,081**	62,520	**211,277**	214,669
Internal net interest income/(expense)	**42,015**	60,952	**28,072**	7,679	**(70,087)**	(68,631)	**–**	–
Net interest income	**72,025**	84,026	**148,258**	136,754	**(9,006)**	(6,111)	**211,277**	214,669
Net fee and commission income	**14,705**	16,710	**47,141**	56,419	**10,248**	10,979	**72,094**	84,108
Other net income	**48,663**	33,889	**1,385**	1,142	**1,070**	2,794	**51,118**	37,825
Operating income	**135,393**	134,625	**196,784**	194,315	**2,312**	7,662	**334,489**	336,602
Operating expenses								
– Property and equipment and investment properties depreciation	**(8,340)**	(7,798)	**(2,710)**	(2,771)	**(404)**	(439)	**(11,454)**	(11,008)
– Right-of-use assets depreciation	**(1,490)**	(1,610)	**(2,389)**	(2,312)	**(228)**	(283)	**(4,107)**	(4,205)
– Other	**(38,308)**	(41,812)	**(60,035)**	(58,860)	**(3,746)**	(5,106)	**(102,089)**	(105,778)
Reportable segment profit before impairment losses	**87,255**	83,405	**131,650**	130,372	**(2,066)**	1,834	**216,839**	215,611
Expected credit losses and impairment losses on other assets	**301**	(10,640)	**(41,006)**	(30,459)	**(114)**	(370)	**(40,819)**	(41,469)
Share of profits of associates and joint ventures	**–**	–	**–**	–	**2,632**	2,476	**2,632**	2,476
Reportable segment profit before taxation	**87,556**	72,765	**90,644**	99,913	**452**	3,940	**178,652**	176,618
Capital expenditure (note)	**31,771**	26,630	**3,298**	2,809	**207**	702	**35,276**	30,141

	Wholesale finance business		Retail finance business		Other business		Total	
	31 December 2024	31 December 2023	**31 December 2024**	31 December 2023	**31 December 2024**	31 December 2023	**31 December 2024**	31 December 2023
Reportable segment assets	**7,103,051**	6,236,513	**3,564,804**	3,358,721	**1,383,480**	1,325,116	**12,051,335**	10,920,350
Of which: Interest in associates and joint ventures	**–**	–	**–**	–	**31,015**	26,590	**31,015**	26,590
Reportable segment liabilities	**6,268,091**	5,671,256	**4,118,838**	3,562,087	**452,085**	628,708	**10,839,014**	9,862,051

Note: Capital expenditure represents the amount incurred for acquiring segment assets which are expected to be used for more than one year.

56. Operating segments *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets, liabilities and other material items

	2024	2023
Operating income for reportable segments	**334,489**	336,602
Total profit before income tax for reportable segments	**178,652**	176,618

	31 December 2024	31 December 2023
Assets		
Total assets for reportable segments	**12,051,335**	10,920,350
Goodwill	**9,954**	9,954
Intangible assets	**526**	550
Deferred tax assets	**83,674**	90,557
Other unallocated assets	**6,547**	7,072
Consolidated total assets	**12,152,036**	11,028,483
Liabilities		
Total liabilities for reportable segments	**10,839,014**	9,862,051
Tax payable	**11,713**	13,597
Deferred tax liabilities	**1,592**	1,607
Other unallocated liabilities	**66,242**	65,499
Consolidated total liabilities	**10,918,561**	9,942,754

56. Operating segments *(continued)*

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government in the mainland China. The Group also has branches operating in Hong Kong, New York, Singapore, Luxembourg, London and Sydney, subsidiaries operating in Hong Kong, Shenzhen, Shanghai, Beijing and Luxembourg and representative offices in New York and Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

- "Headquarter" refers to the Group headquarter, credit card centres and fund operation centres;
- "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;
- "Bohai Rim region" refers to branches in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;
- "Pearl River Delta and West Coast region" refers to branches in Guangdong province and Fujian province;
- "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;
- "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;
- "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;
- "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative offices in New York and Taipei; and
- "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CMB Europe S.A. and CIGNA & CMAM.

	Total assets		Total liabilities		Non-current assets		Operating income		Profit before tax	
Geographical information	31 December 2024	31 December 2023	31 December 2024	31 December 2023	31 December 2024	31 December 2023	2024	2023	2024	2023
Headquarter	**5,620,792**	4,985,615	**4,616,716**	4,107,566	**61,287**	54,625	**134,972**	135,401	**81,021**	77,737
Yangtze River Delta region	**1,521,903**	1,417,890	**1,503,109**	1,404,463	**5,469**	5,995	**44,260**	45,485	**23,957**	21,578
Bohai Rim region	**1,002,690**	916,860	**988,780**	902,114	**3,845**	4,187	**33,801**	33,583	**18,547**	18,801
Pearl River Delta and West Coast region	**1,234,991**	1,166,744	**1,225,218**	1,156,219	**3,957**	4,125	**35,486**	34,947	**15,054**	18,491
Northeast region	**173,447**	168,687	**171,967**	166,551	**1,357**	1,440	**6,398**	6,444	**2,109**	2,808
Central region	**733,700**	676,618	**725,410**	670,811	**3,195**	3,299	**19,665**	19,953	**9,750**	9,358
Western region	**751,874**	681,255	**744,561**	674,635	**2,734**	3,051	**20,145**	20,579	**9,275**	8,554
Overseas	**236,567**	213,303	**244,455**	217,502	**746**	618	**4,290**	4,474	**2,635**	2,438
Subsidiaries	**876,072**	801,511	**698,345**	642,893	**107,343**	95,462	**35,472**	35,736	**16,304**	16,853
Total	**12,152,036**	11,028,483	**10,918,561**	9,942,754	**189,933**	172,802	**334,489**	336,602	**178,652**	176,618

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, right-of-use assets, intangible assets and goodwill.

57. Assets pledged as security

The following assets have been pledged as collateral for borrowing from central banks and liabilities under repurchase or placement arrangements:

	2024	2023
Borrowing from central banks	**189,511**	377,189
Placements from banks and other financial institutions	**6,802**	9,099
Amounts sold under repurchase agreements	**83,747**	134,863
Total	**280,060**	521,151
Assets pledged		
– Financial assets at fair value through profit or loss	**6,921**	98,223
– Debt investments at amortised cost	**165,583**	333,718
– Debt investments at fair value through other comprehensive income	**30,491**	41,743
– Loans and advances to customers	**90,320**	130,616
Total	**293,315**	604,300

The transactions under repurchase or placement agreements are conducted under terms that are usual and customary to standard borrowing and placing activities.

58. Contingent liabilities and commitments

(a) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card overdraft limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out in the following tables. The amounts reflected in the tables for commitments assume that amounts are fully advanced. The amounts reflected in the tables for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	**326,654**	**1,983**	**582**	**329,219**
– Financial guarantees	**33,109**	**754**	**293**	**34,156**
– Non-financing letters of guarantees	**293,545**	**1,229**	**289**	**295,063**
Irrevocable letters of credit	**304,725**	**1,249**	**–**	**305,974**
Bills of acceptances	**581,176**	**3,054**	**360**	**584,590**
Irrevocable loan commitments	**162,159**	**415**	**96**	**162,670**
– with an original maturity within 1 year (inclusive)	**45,039**	**3**	**1**	**45,043**
– with an original maturity over 1 year	**117,120**	**412**	**95**	**117,627**
Credit card unused commitments	**1,588,137**	**32,399**	**5**	**1,620,541**
Other	**96,525**	**708**	**20**	**97,253**
Total	**3,059,376**	**39,808**	**1,063**	**3,100,247**

58. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	320,170	3,940	278	324,388
– Financial guarantees	44,570	1,104	3	45,677
– Non-financing letters of guarantees	275,600	2,836	275	278,711
Irrevocable letters of credit	227,114	1,505	–	228,619
Bills of acceptances	485,393	2,294	500	488,187
Irrevocable loan commitments	164,074	2,285	95	166,454
– with an original maturity within 1 year (inclusive)	23,427	1	–	23,428
– with an original maturity over 1 year	140,647	2,284	95	143,026
Credit card unused commitments	1,509,253	6,400	21	1,515,674
Other	87,367	156	–	87,523
Total	2,793,371	16,580	894	2,810,845

As at 31 December 2024, the Group's irrevocable letters of credit included sight letters of credit of RMB20,139 million (31 December 2023: RMB22,254 million), usance letters of credit of RMB18,230 million (31 December 2023: RMB9,361 million), and other commitments of RMB267,605 million (31 December 2023: RMB197,004 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches and subsidiaries, and onshore and offshore syndicated loans etc.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB5,385,015 million at 31 December 2024 (31 December 2023: RMB5,885,925 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group does not assume any risks on the unused credit limits for these loan customers. As a result, such balances are not included in the above credit commitments.

	2024	2023
Credit risk weighted amounts of contingent liabilities and commitments	**846,851**	650,343

Since 1 January 2024, the Group calculated the credit risk-weighted assets amount of its contingent liabilities and commitments in accordance with the requirements of *Rules on Capital Management of Commercial Banks* issued by the NFRA. The amount within the scope approved by the former CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach is used to cover those amounts not eligible for the Internal Ratings-Based Approach.

58. Contingent liabilities and commitments *(continued)*

(b) Capital commitments

The authorised capital commitments of the Group were as follows:

	2024	2023
Contracted for	**177**	219
Authorised but not contracted for	**216**	191
Total	**393**	410

The lease commitments of the Group as a lessor are detailed in note 58 (e).

(c) Outstanding litigations

At 31 December 2024, the Bank or other group entities was a defendant in certain outstanding litigations with total gross claims of RMB2,024 million (2023: RMB3,205 million). The Group considers that no material losses would be incurred by the Group as a result of these outstanding litigations.

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to make advances to bond holders if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest to the bond holders are calculated in accordance with relevant requirements set by the MOF or the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	2024	2023
Redemption obligations	**30,807**	29,144

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

(e) Lease commitments

Operating lease commitments and financial lease commitments where the Group is a lessor at the end of the reporting period are as follows:

	2024	2023
Operating lease commitments	**14,321**	25,816
Financial lease commitments	**37,503**	12,859
Total	**51,824**	38,675

59. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital for loan advances through the Group to their specified targets on their behalf in accordance with specific terms and conditions, with the help of the Group in monitoring loan usage and seeking loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted lending are not assets of the Group and are not recognised in the consolidated statement of financial position. Income received and receivable for providing these services are recognised in the consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	2024	2023
Entrusted loans	**245,897**	221,292
Entrusted funds	**(245,897)**	(221,292)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers by the Bank and CMBWM. The funds obtained from wealth management services are invested in investment products, including government bonds, policy bank bonds and short term corporate debt instruments. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns commission which represents the charges on customers in relation to the provision of custody, sales and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the consolidated statement of financial position. The funds received from customer for wealth management business that yet to be invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated wealth management services were RMB2,298,278 million as at 31 December 2024 (31 December 2023: RMB2,403,038 million).

(c) Entrusted management of insurance funds

The entrusted management of insurance funds mainly refers to the business that the Group carries out investment activities on funds entrusted by insurance companies according to the regulatory policies and the investment guidelines from insurance companies, and charges fees for providing such services.

At the end of the reporting period, the balances of entrusted funds were as follows:

	2024	2023
Entrusted management of insurance funds	**189,647**	144,963

60. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the board of directors, is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee under Board of Directors, participates in, coordinates, and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk including the credit and investment business of pre-lending (investment) evaluations, interim-lending (investment) reviewing and post-lending (investment) monitoring.

In accordance with the Implementation Rules on Expected Credit Loss Approach of Commercial Banks (Yin Bao Jian Gui [2022] No.10), the Group uses the expected credit loss model to provide for credit risk losses for on-balance sheet financial assets that bear credit risk at amortised cost or at fair value through other comprehensive income, as well as off-balance sheet credit risk items such as loan commitments and financial guarantee contracts.

With respect to the credit risk management of wholesale financial business, the Group optimizes credit and investment policies, continually enhances the standards on acceptance for corporate, interbank and institutional clients, and implements in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail financial business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

The Group requests customers to provide collateral and guarantees when necessary. The Group has formulated systems or guidelines for the access of guarantors or collaterals, the approval of guarantee amounts, the establishment and follow-up management of guarantees. The guarantor's or collateral's ability and willingness to guarantee will be reviewed regularly to ensure that it meets the requirements of relevant laws and regulations and can effectively mitigate risks.

In respect of asset quality classification, the Group improves the classification system and refines the classification method based on Rules on Risk Classification of Financial Assets of Commercial Banks, combined with actual situation. On the basis of Five-category Classification, the Group categorises its loans on a ten-grade loan classification basis to refine internal risk classification management (normal (grades 1-5), special mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio are presented in Note 22.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The internal credit risk rating is based on the model-forecasted default risk, taking into consideration qualitative and quantitative factors such as borrower's financial situation, debt pressure, industry characteristics, etc.

(ii) Significant increase in credit risk

As describe in Note 4(5), the Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating (Note 60(a)(i)), as well as internal early warning signal, the result of 5-tier classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capability to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For loan commitment and financial guarantee, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired and classified as stage 3 when the debt instrument is more than 90 days (inclusive) overdue or the 5-tier classification of this debt instrument is substandard, doubtful or loss (these three categories include debt instruments with more than 90 days (inclusive) overdue).

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): is an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): is the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): is the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by authoritative institutions and internal risk data without undue cost or effort for modelling. Apart from the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index and Broad Money Supply, various other categories of indicators such as industry index, interest and exchange rate, and survey index are also included. Based on statistical analysis and expert judgements, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group sets the forecasts issued by external authoritative institutions as the forecasts of economic indicators under the baseline scenario, with reference to the professionals of the Bank and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP (year-on-year growth rate) and CPI (month-on-month increase) as an example, the forecasts for the next year adopted by the Group for 2024 under the baseline scenario was set at round 5% and 1% respectively.

Combined with quantitative measurement and expert judgement, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 31 December 2024 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2024 will decrease by approximately 2.6% compared to the current result. When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2024 will increase by approximately 4.6% compared to the current result.

The Group periodically forecasts macroeconomic indicators, and calculates the ECL based on a weighted 12-month expected credit loss (stage 1) or a weighted lifetime expected credit loss (stage 2 and stage 3).

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the 5-tier classification, business type and collateral type.

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements is the carrying amount of the relevant financial instruments as disclosed in the consolidated statement of financial position and the contract amount of the off balance sheet items disclosed in Note 58(a). At 31 December 2024, the amount of the Group's maximum credit risk exposure was RMB14,922,470 million (31 December 2023: RMB13,530,603 million).

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(vii) Renegotiated loans and advances to customers

The Group adopts the measures for Risk Classification of Financial Assets of Commercial Banks (CBIRC PBC Order [2023] No. 1) for its rescheduled loans and advances to customers. The data at the beginning of the year has been adjusted on a consistent for the purpose of ensuring comparability.

The carrying amount of loans and advances that had been renegotiated was RMB24,826 million as at 31 December 2024 (31 December 2023: RMB26,099 million).

(viii) Non-performing loans

Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans. As at 31 December 2024, the Group had balance of non-performing loans of RMB65,610 million (31 December 2023: RMB61,579 million).

(ix) Credit quality of bond investments rating results

At the end of the reporting period, the analysis of the credit quality of bond investments by designated external credit assessment institution, is as follows:

	2024	2023
Impaired gross amount of debt investments	**693**	808
Impairment allowances	**(505)**	(499)
Subtotal	**188**	309
Neither overdue nor impaired		
AAA	**2,846,729**	2,577,388
AA+ to AA-	**89,538**	65,894
A+ to A-	**177,286**	132,191
Lower than A-	**25,609**	27,220
Unrated	**56,601**	41,184
Impairment allowances	**(7,985)**	(10,661)
Subtotal	**3,187,778**	2,833,216
Total	**3,187,966**	2,833,525

Notes:

(i) Bonds issued by the governments and policy banks held by the Group amounted to RMB2,599,093 million as at 31 December 2024 (31 December 2023: RMB2,448,279 million).

(ii) The impairment allowances above is for debt investments at amortised cost only.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(x) Collateral

An estimate of the fair value of collateral and other credit enhancements held against financial assets that are overdue but not impaired is as follows:

	2024	2023
Estimate of the fair value of collateral and other credit enhancements held against following financial assets		
– Loans and advances to customers	**17,545**	20,659

(xi) Movements of loans and advances and debt investments measured at amortised cost

Loans and advances measured at amortised cost:

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	**5,686,659**	**165,105**	**61,560**	**5,913,324**
Net changes for the year	**461,401**	**(25,764)**	**5,056**	**440,693**
Transfer to				
– Stage 1	**45,122**	**(44,949)**	**(173)**	**–**
– Stage 2	**(132,857)**	**133,368**	**(511)**	**–**
– Stage 3	**(29,930)**	**(22,902)**	**52,832**	**–**
Write-offs	**–**	**–**	**(53,154)**	**(53,154)**
Balance as at the end of the year	**6,030,395**	**204,858**	**65,610**	**6,300,863**

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	5,217,868	156,240	58,004	5,432,112
Net changes for the year	557,973	(27,551)	(1,288)	529,134
Transfer to				
– Stage 1	30,084	(29,822)	(262)	–
– Stage 2	(94,405)	95,148	(743)	–
– Stage 3	(24,861)	(28,910)	53,771	–
Write-offs	–	–	(47,922)	(47,922)
Balance as at the end of the year	5,686,659	165,105	61,560	5,913,324

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(xi) Movements of loans and advances and debt investments measured at amortised cost *(continued)*

Debt investments at amortised cost:

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	**1,738,945**	**1,517**	**27,548**	**1,768,010**
Net changes for the year	**189,931**	**(708)**	**(1,313)**	**187,910**
Transfer to				
– Stage 1	**1**	**(1)**	**–**	**–**
– Stage 2	**(984)**	**984**	**–**	**–**
– Stage 3	**–**	**(2)**	**2**	**–**
Write-offs	**–**	**–**	**–**	**–**
Balance as at the end of the year	**1,927,893**	**1,790**	**26,237**	**1,955,920**

	2023			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	1,543,652	2,073	34,120	1,579,845
Net changes for the year	195,645	(238)	(4,323)	191,084
Transfer to				
– Stage 1	1	(1)	–	–
– Stage 2	(339)	339	–	–
– Stage 3	–	(655)	655	–
Write-offs	(14)	(1)	(2,904)	(2,919)
Balance as at the end of the year	1,738,945	1,517	27,548	1,768,010

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(xii) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost are disclosed in note 22, note 23(b) and note 60(a)(xi) respectively. The staging analysis for credit commitments and the expected credit loss allowances of financial guarantees and loan commitments are disclosed in notes 58(a) and 42 respectively. The staging analysis for other financial instruments is as follows:

	2024							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	557,166	–	–	557,166	–	–	–	–
Balances with banks and other financial institutions	220,537	1	11	220,549	(818)	(1)	(11)	(830)
Placements with banks and other financial institutions	406,817	–	–	406,817	(1,126)	–	–	(1,126)
Amounts held under resale agreements	271,903	–	140	272,043	(606)	–	(140)	(746)
Debt investments at FVTOCI	1,082,186	209	182	1,082,577	(7,339)	(21)	(1,260)	(8,620)

	2023							
	Principal				Expected credit loss			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	667,569	–	–	667,569	–	–	–	–
Balances with banks and other financial institutions	100,745	1	11	100,757	(211)	(1)	(11)	(223)
Placements with banks and other financial institutions	286,046	201	–	286,247	(518)	(1)	–	(519)
Amounts held under resale agreements	172,568	–	140	172,708	(449)	–	(140)	(589)
Debt investments at FVTOCI	889,105	390	241	889,736	(5,586)	(132)	(1,094)	(6,812)

Note: The balances disclosed above do not include accrued interest.

60. Risk management *(continued)*

(b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The financial instruments and positions under the trading book are held for trading purposes or for the purposes of hedging the risks arising from the trading book position, and these financial instruments can be traded without any restriction. The financial instruments under the banking book are assets and liabilities held by the Group for determinable return with relative stable market value or for the purposes of hedging the risks, which include both the Group's on-balance sheet and off-balance sheet exposure.

(i) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group segregates the policy setting, execution and supervision of foreign exchange risk management, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities and reporting lines of the Board of Directors, the Board of Supervisors, senior management, designated committees and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development stage of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and the requirements of the Group.

(1) Trading book

The Group has established a market risk structure and system of the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process and method of exchange rate risk management of trading book are consistent with that of the interest rate risk of trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR, covers interest rate, foreign exchange rate, and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, and cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring and continuous reporting, etc.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible for managing the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and through approaches such as transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

(3) Assets and liabilities by original currency are shown as follows:

	2024						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	535,838	27,834	2,068	8,048	573,788	3,813	2,200
Amounts due from banks and other financial institutions	721,600	139,379	25,582	10,146	896,707	19,096	27,215
Loans and advances to customers	6,342,999	123,464	135,150	21,337	6,622,950	16,916	143,780
Financial investments (including derivative financial assets)	3,264,823	334,397	51,019	24,665	3,674,904	45,816	54,277
Other assets (note (i))	261,120	103,735	13,681	5,151	383,687	14,213	14,553
Total	11,126,380	728,809	227,500	69,347	12,152,036	99,854	242,025
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	1,061,944	123,045	15,668	6,360	1,207,017	16,858	16,668
Deposits from customers	8,427,705	445,503	161,032	62,347	9,096,587	61,038	171,314
Financial liabilities at FVTPL (including derivative financial liabilities)	90,565	8,258	168	53	99,044	1,132	179
Debt securities issued	141,431	69,991	7,610	2,551	221,583	9,589	8,096
Other liabilities (note (i))	263,383	19,854	9,253	1,840	294,330	2,720	9,845
Total	9,985,028	666,651	193,731	73,151	10,918,561	91,337	206,102
Net position	1,141,352	62,158	33,769	(3,804)	1,233,475	8,517	35,923
Off-balance sheet position:							
Credit commitments (note (ii))	2,949,528	111,092	21,153	18,474	3,100,247	15,221	22,504
Derivatives (nominal amounts):							
– forward purchased	734,725	730,591	30,788	46,870	1,542,974	100,097	32,754
– forward sold	(670,870)	(778,692)	(13,120)	(41,155)	(1,503,837)	(106,688)	(13,958)
– net currency option position	(80,894)	68,451	(12)	882	(11,573)	9,378	(13)
Total	(17,039)	20,350	17,656	6,597	27,564	2,787	18,783

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(3) Assets and liabilities by original currency are shown as follows: (continued)

	2023						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	632,195	45,869	1,373	3,063	682,500	6,468	1,512
Amounts due from banks and other financial institutions	425,397	116,308	3,919	12,757	558,381	16,400	4,316
Loans and advances to customers	5,938,668	133,774	147,467	22,151	6,242,060	18,862	162,431
Financial investments (including derivative financial assets)	2,883,787	244,690	40,754	13,652	3,182,883	34,502	44,888
Other assets (note (i))	216,402	117,867	16,161	12,229	362,659	16,620	17,802
Total	10,096,449	658,508	209,674	63,852	11,028,483	92,852	230,949
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	1,132,441	117,899	5,676	9,581	1,265,597	16,624	6,252
Deposits from customers	7,562,175	384,719	154,568	53,976	8,155,438	54,247	170,253
Financial liabilities at FVTPL (including derivative financial liabilities)	52,624	8,368	206	203	61,401	1,180	227
Debt securities issued	101,849	67,474	3,366	2,075	174,764	9,514	3,708
Other liabilities (note (i))	258,062	18,858	7,103	1,531	285,554	2,658	7,824
Total	9,107,151	597,318	170,919	67,366	9,942,754	84,223	188,264
Net position	989,298	61,190	38,755	(3,514)	1,085,729	8,629	42,685
Off-balance sheet position:							
Credit commitments (note (ii))	2,684,499	80,880	25,385	20,081	2,810,845	11,405	27,961
Derivatives (nominal amounts):							
– forward purchased	418,103	431,449	34,270	34,929	918,751	60,836	37,747
– forward sold	(386,228)	(440,704)	(13,642)	(22,002)	(862,576)	(62,141)	(15,026)
– net currency option position	(76,687)	67,549	357	(4,250)	(13,031)	9,525	393
Total	(44,812)	58,294	20,985	8,677	43,144	8,220	23,114

Notes:

(i) Accrued interest of financial assets and liabilities are included in "other assets" and "other liabilities" respectively.

(ii) Credit commitments may expire unused at the end of the commitment period, therefore the above net position does not represent the future cash outflows.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(4) Sensitivity analysis

Under the existing managed floating exchange rate regime, the Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity. The following table sets forth the results of the Group's foreign exchange risk sensitivity analysis on the assets and liabilities of all foreign currencies involved at 31 December 2024 and 31 December 2023.

	2024		2023	
Change in foreign currency exchange rate	Down by 1%	Up by 1%	Down by 1%	Up by 1%
(Decrease)/increase in net profit	**(112)**	**112**	(101)	101
(Decrease)/increase in equity	**(378)**	**378**	(334)	334

Actual changes in the Group's net profit and equity resulting from increases or decreases in foreign exchange rates may be different from the results of this sensitivity analysis.

(ii) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the Board of Directors, the Group manages the trading book by clearly identifying, accurately measuring and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieves a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the Board of Directors, Risk and Capital Management Committee under the Board of Directors, senior management and relevant departments of the Bank, and safeguards the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk, and undertakes the task of risk policy formulation and management.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(1) Trading book (continued)

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limits management system. A top level limit is set based on the risk appetite determined by the Board of Directors, and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limits requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limits management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indices as the limits index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, stress test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

(2) Banking book

According to the external regulatory requirements and the internal banking book interest rate risk management policy, the Group has built and continuously improved the banking book interest rate risk management system, established the management process of interest rate risk identification, measurement, monitoring, control and reporting, and covered all on – and off-balance sheet business of the Bank. The Group clearly identifies, accurately measures and effectively manages the interest rate risk of the banking book under the interest rate risk appetite of the banking book formulated by the Board of Directors to ensure that the net interest income (NII) and the economic value of shareholders' equity (EVE) increase steadily within the acceptable range of the banking book risk.

The Group's governance and management framework specifies the responsibilities, division of labor and reporting lines of the Board of Directors, senior management, designated committees and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is managed by the Asset and Liability Management Department of the Head Office. Internal Audit Department of the Head Office is responsible for independent audit.

The preference of the Group in respect of the interest rate risk in the banking book is prudent. The Group establishes a banking book interest rate risk limit management system based on the actual business and the banking book interest rate risk governance structure. The quantitative index of risk appetite set by the Board of Directors is the highest level limit, which is transmitted through the limit level from top to bottom and level by level. Within the scope of their authorisation, all levels set limits and continuously monitor and report according to risk tolerance, business operation strategy and risk management objectives. The Group formulates interest rate risk management strategies and regularly tracks and reviews them based on risk measurement and monitoring results and in combination with macroeconomic and interest rate environment. The key measures for risk management of the Group include the adjustment in business volume, duration structure and interest rate structure of on-balance sheet asset and liability business and off-balance sheet derivative to offset risk exposure.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis and duration analysis for the regular measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income at risk and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group measures and monitors the interest rate risk of banking book through the asset-liability management system, and the main models and parameter assumptions used in the measurement process are independently verified before being adopted and are regularly reviewed and verified after being adopted. The various indicators of interest rate risk during the reporting period showed that the interest rate risk of banking book of the Bank was generally stable and stay within the set limits.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	2024					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	573,788	547,644	–	–	–	26,144
Amounts due from banks and other financial institutions	896,707	678,771	193,834	24,089	13	–
Loans and advances to customers (note (i))	6,622,950	2,921,730	3,085,793	553,747	61,680	–
Financial investments (including derivative financial assets)	3,674,904	487,488	510,412	1,287,820	1,309,218	79,966
Other assets (note (ii))	383,687	–	–	–	–	383,687
Total assets	12,152,036	4,635,633	3,790,039	1,865,656	1,370,911	489,797
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,207,017	1,008,346	187,090	11,192	389	–
Deposits from customers	9,096,587	6,367,726	1,418,427	1,285,129	22,696	2,609
Financial liabilities at FVTPL (including derivative financial liabilities)	99,044	–	5,691	–	–	93,353
Lease liabilities	12,778	1,055	2,855	7,705	1,163	–
Debt securities issued	221,583	115,232	54,627	44,330	7,394	–
Other liabilities (note (ii))	281,552	4	–	3,033	–	278,515
Total liabilities	10,918,561	7,492,363	1,668,690	1,351,389	31,642	374,477
Asset-liability gap	1,233,475	(2,856,730)	2,121,349	514,267	1,339,269	115,320

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the expected next repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period. (continued)

	2023					
	Total	3 months or less (include overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	682,500	658,781	–	–	–	23,719
Amounts due from banks and other financial institutions	558,381	418,055	133,899	6,414	13	–
Loans and advances to customers (note (i))	6,242,060	2,497,757	3,076,798	605,016	62,489	–
Financial investments (including derivative financial assets)	3,182,883	351,796	358,289	1,104,825	1,307,233	60,740
Other assets (note (ii))	362,659	–	–	–	–	362,659
Total assets	11,028,483	3,926,389	3,568,986	1,716,255	1,369,735	447,118
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,265,597	1,013,853	231,786	19,670	288	–
Deposits from customers	8,155,438	5,450,058	1,300,112	1,373,425	28,172	3,671
Financial liabilities at FVTPL (including derivative financial liabilities)	61,401	588	–	5,321	–	55,492
Lease liabilities	12,675	1,032	2,804	7,757	1,082	–
Debt securities issued	174,764	44,549	78,880	43,959	7,376	–
Other liabilities (note (ii))	272,879	187	–	2,889	–	269,803
Total liabilities	9,942,754	6,510,267	1,613,582	1,453,021	36,918	328,966
Asset-liability gap	1,085,729	(2,583,878)	1,955,404	263,234	1,332,817	118,152

Notes: (i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 31 December 2024 and 31 December 2023 net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Accrued interest of financial assets and liabilities are included in "other assets" and "other liabilities" respectively.

(4) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 31 December 2024 and 31 December 2023.

	2024		2023	
Change in interest rates (in basis points)	**Up by 25**	**Down by 25**	Up by 25	Down by 25
(Decrease)/increase in net interest income	**(4,713)**	**4,713**	(4,118)	4,118
(Decrease)/increase in equity	**(10,793)**	**10,931**	(9,319)	9,477

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

60. Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group segregates the policy setting, execution and supervision of liquidity risk management, and puts in place a governance framework which defines the roles, responsibilities and reporting lines of the Board of Directors, the Board of Supervisors, senior management, designated committees and relevant departments to ensure the effectiveness of the liquidity risk management. The Board of Directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the Board of Directors shall perform its responsibilities in liquidity risk management according to the requirements of the Board of Directors. The Board of Supervisors is responsible for the supervision and evaluation of the performance of the Board of Directors and senior management in the liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks, and reports the same to the Board of Directors. The Asset and Liability Management Committee (ALCO) exercises specific liquidity risk management functions as required by the senior management. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO and responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and suit its own management needs.

The Group's liquidity risk management is coordinated by Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. According to a prudent basis under regulatory requirements, the treasurer is conducting centralised liquidity management through limits management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as medium and long-term structures. It monitors the limit indicators closely at fixed intervals.

The Group regularly conducts stress testing to assess its liquidity risk resistance under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to continuously improve its capability to handle any liquidity crisis.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows:

	2024								
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	46,957	38	136	1,925	–	–	524,732	–	573,788
Amounts due from banks and other financial institutions	47,422	479,313	151,267	194,478	24,214	13	–	–	896,707
Loans and advances to customers	37,161	567,322	521,001	1,785,295	1,888,461	1,793,147	–	30,563	6,622,950
Financial investments and derivative financial assets (note (ii))	4,936	269,334	155,234	506,409	1,381,773	1,330,326	26,820	72	3,674,904
– Financial investments at FVTPL (including derivative financial assets)	4,936	229,529	51,315	131,726	162,250	65,290	4,505	–	649,551
– Debt investments at amortised cost	–	20,519	58,800	181,330	740,026	919,716	–	70	1,920,461
– Debt investments at FVTOCI	–	19,286	45,119	193,353	479,497	345,320	–	2	1,082,577
– Equity investments designated at FVTOCI	–	–	–	–	–	–	22,315	–	22,315
Other assets (note (iii))	36,930	12,493	14,400	21,479	18,287	4,669	270,768	4,661	383,687
Total assets	173,406	1,328,500	842,038	2,509,586	3,312,735	3,128,155	822,320	35,296	12,152,036
Borrowing from central banks and amounts due to banks and other financial institutions	656,081	149,972	150,656	201,897	41,794	6,617	–	–	1,207,017
Deposits from customers	4,752,616	673,445	936,315	1,420,661	1,288,740	24,810	–	–	9,096,587
Financial liabilities at FVTPL (including derivative financial liabilities)	16,928	10,044	6,266	18,668	16,519	30,619	–	–	99,044
Lease liabilities	–	448	607	2,855	7,705	1,163	–	–	12,778
Debt securities issued	–	26,710	72,254	61,455	53,770	7,394	–	–	221,583
Other liabilities (note (iii))	141,006	34,895	22,135	49,859	33,352	305	–	–	281,552
Total liabilities	5,566,631	895,514	1,188,233	1,755,395	1,441,880	70,908	–	–	10,918,561
(Short)/long position	(5,393,225)	432,986	(346,195)	754,191	1,870,855	3,057,247	822,320	35,296	1,233,475

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows: *(continued)*

	2023								
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	140,809	255	223	1,863	–	–	539,350	–	682,500
Amounts due from banks and other financial institutions	64,142	301,382	51,889	133,647	7,308	13	–	–	558,381
Loans and advances to customers	38,971	583,687	497,465	1,520,502	1,843,531	1,734,232	–	23,672	6,242,060
Financial investments and derivative financial assets (note (ii))	2,756	182,087	149,778	360,604	1,158,573	1,298,096	28,673	2,316	3,182,883
– Financial investments at FVTPL (including derivative financial assets)	2,756	138,053	59,690	140,317	159,012	36,026	9,024	–	544,878
– Debt investments at amortised cost	–	29,336	41,940	96,841	554,608	1,003,589	–	2,306	1,728,620
– Debt investments at FVTOCI	–	14,698	48,148	123,446	444,953	258,481	–	10	889,736
– Equity investments designated at FVTOCI	–	–	–	–	–	–	19,649	–	19,649
Other assets (note (iii))	33,120	11,473	15,382	21,518	15,266	5,155	256,260	4,485	362,659
Total assets	279,798	1,078,884	714,737	2,038,134	3,024,678	3,037,496	824,283	30,473	11,028,483
Borrowing from central banks and amounts due to banks and other financial institutions	449,682	366,937	157,079	243,626	41,428	6,845	–	–	1,265,597
Deposits from customers	4,474,297	432,094	542,828	1,301,368	1,375,860	28,991	–	–	8,155,438
Financial liabilities at FVTPL (including derivative financial liabilities)	8,577	7,753	4,731	8,601	12,077	19,662	–	–	61,401
Lease liabilities	–	454	578	2,804	7,757	1,082	–	–	12,675
Debt securities issued	–	9,901	25,288	82,023	50,176	7,376	–	–	174,764
Other liabilities (note (iii))	145,327	31,190	18,236	45,907	31,803	416	–	–	272,879
Total liabilities	5,077,883	848,329	748,740	1,684,329	1,519,101	64,372	–	–	9,942,754
(Short)/long position	(4,798,085)	230,555	(34,003)	353,805	1,505,577	2,973,124	824,283	30,473	1,085,729

Notes:

(i) For cash and balances with central banks, the amounts with indefinite maturities represent statutory deposit reserve and fiscal deposit balances.

(ii) For financial investments at FVTPL included in financial investments, their maturity dates do not represent the Group's intention to hold them to maturity.

(iii) Accrued interest of financial assets and liabilities are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	2024									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	573,788	573,788	46,957	38	136	1,925	–	–	524,732	–
Amounts due from banks and other financial institutions	896,707	904,328	47,430	479,793	152,137	197,581	27,374	13	–	–
Loans and advances to customers	6,622,950	7,670,661	37,161	583,775	555,313	1,963,041	2,235,195	2,265,613	–	30,563
Financial investments	3,642,371	4,273,759	4,956	272,560	163,542	555,653	1,597,127	1,653,029	26,820	72
– Financial investments at FVTPL	617,018	638,145	4,956	225,776	45,894	124,509	156,719	75,786	4,505	–
– Debt investments at amortised cost	1,920,461	2,324,329	–	25,001	67,717	219,327	895,238	1,116,976	–	70
– Debt investments at FVTOCI	1,082,577	1,288,970	–	21,783	49,931	211,817	545,170	460,267	–	2
– Equity investments designated at FVTOCI	22,315	22,315	–	–	–	–	–	–	22,315	–
Other assets	102,337	102,337	33,461	12,442	14,328	21,190	5,063	511	10,681	4,661
Total	11,838,153	13,524,873	169,965	1,348,608	885,456	2,739,390	3,864,759	3,919,166	562,233	35,296

	2024									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,207,017	1,220,980	656,335	150,888	152,614	206,029	47,556	7,558	–	–
Deposits from customers	9,096,587	9,321,148	4,793,218	686,784	958,060	1,470,346	1,387,318	25,422	–	–
Financial liabilities at FVTPL	67,461	67,510	16,886	6,247	1,342	7,526	4,998	30,511	–	–
Lease liabilities	12,778	13,793	–	451	614	2,908	8,299	1,521	–	–
Debt securities issued	221,583	228,531	–	26,990	73,018	63,674	57,135	7,714	–	–
Other liabilities	181,168	181,168	43,755	33,783	21,974	48,334	33,017	305	–	–
Total	10,786,594	11,033,130	5,510,194	905,143	1,207,622	1,798,817	1,538,323	73,031	–	–
Gross loan commitments	–	1,783,211	1,783,211	–	–	–	–	–	–	–

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis. *(continued)*

	2023									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	682,500	682,500	140,809	255	223	1,863	–	–	539,350	–
Amounts due from banks and other financial institutions	558,381	562,870	64,150	301,674	52,393	136,751	7,889	13	–	–
Loans and advances to customers	6,242,060	7,530,562	38,971	602,390	539,585	1,708,061	2,267,026	2,350,857	–	23,672
Financial investments	3,164,150	3,758,609	2,676	184,830	159,063	408,936	1,373,493	1,598,622	28,673	2,316
– Financial investments at FVTPL	526,145	530,575	2,676	134,391	56,151	134,875	156,588	36,870	9,024	–
– Debt investments at amortised cost	1,728,620	2,155,149	–	33,629	50,472	133,924	712,112	1,222,706	–	2,306
– Debt investments at FVTOCI	889,736	1,053,236	–	16,810	52,440	140,137	504,793	339,046	–	10
– Equity investments designated at FVTOCI	19,649	19,649	–	–	–	–	–	–	19,649	–
Other assets	90,873	90,873	31,314	11,445	15,314	20,884	1,975	427	5,029	4,485
Total	10,737,964	12,625,414	277,920	1,100,594	766,578	2,276,495	3,650,383	3,949,919	573,052	30,473

	2023									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,265,597	1,300,017	449,843	375,736	168,105	251,248	47,192	7,893	–	–
Deposits from customers	8,155,438	8,434,777	4,559,684	434,432	554,142	1,360,396	1,496,187	29,936	–	–
Financial liabilities at FVTPL	43,958	44,074	8,566	4,696	1,053	2,996	7,146	19,617	–	–
Lease liabilities	12,675	13,664	–	457	586	2,880	8,461	1,280	–	–
Debt securities issued	174,764	182,443	–	10,401	26,108	84,324	53,672	7,938	–	–
Other liabilities	175,135	175,135	50,536	30,287	18,080	44,377	31,439	416	–	–
Total	9,827,567	10,150,110	5,068,629	856,009	768,074	1,746,221	1,644,097	67,080	–	–
Gross loan commitments	–	1,682,128	1,682,128	–	–	–	–	–	–	–

Note: Accrued interest of financial assets and liabilities are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(d) Operational risk

Operational risk arises from the loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

(e) Capital management

The objectives of the Group's capital management are to:

– Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base in support of its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive, coordinated and sustainable growth;

– Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;

– Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;

– Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns for shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier-1 capital instruments, eligible tier-2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under the approaches stipulated by regulators. The Group and the Bank submit required information to the NFRA every quarter.

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 31 December 2024, the Group's subsidiaries that were within the capital adequacy ratio calculation included: CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CIGNA & CMAM and CMB Europe S.A.

Since 1 January 2024, the Group has calculated its capital adequacy ratio in accordance with the NFRA's the *Rules on Capital Management of Commercial Banks*. According to the approval and requirements of implementing the advanced method of capital measurement by the former CBIRC on April 18, 2014 and the NFRA's relevant provisions of the Notice on implement of *Rules on Capital Management of Commercial Banks* (國家金融監督管理總局關於實施《商業銀行資本管理辦法》相關事項的通知) (Jin Gui [2023] No. 9), within the approved scope, the Group could calculate corporation and financial institution risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk and operational risk using the Standardised Approach. At the same time, the NFRA or its agencies implemented a transition period for commercial banks that were approved to adopt the Advanced Measurement Approach. During the transition period, commercial banks should follow *Rules on Capital Management of Commercial Banks* to carry out capital measurement.

60. Risk management *(continued)*

(e) Capital management *(continued)*

The Group's capital management focuses on the capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

The capital ratios calculated by the Advanced Measurement Approach set out in the *Rules on Capital Management of Commercial Banks* are as follows:

	2024	2023
Core tier-1 capital adequacy ratio	**14.86%**	13.73%
Tier-1 capital adequacy ratio	**17.48%**	16.01%
Capital adequacy ratio	**19.05%**	17.88%
Core tier-1 capital	**1,036,392**	920,759
Regulatory deductions from core tier-1 capital	**13,344**	13,451
Net core tier-1 capital	**1,023,048**	907,308
Additional tier-1 capital	**180,446**	150,446
Net tier-1 capital	**1,203,494**	1,057,754
Tier-2 capital	**108,248**	123,733
Net capital	**1,311,742**	1,181,487
Risk-weighted assets (taking into consideration the capital floor requirements)	**6,885,783**	6,608,021

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purpose. The Group's derivatives can be divided into financial instruments that are held for fair value hedge and cash flow hedging purpose and that are at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from RMB loans and interbank assets or liabilities. In fair value hedge, the Group uses interest rate swaps as hedging instruments to hedge the interest rate risks arising from bond investments measured at fair value through other comprehensive income.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period, and do not represent the amounts at risk.

	2024						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	295,444	931,606	847,772	1,290	2,076,112	11,136	(11,478)
Interest rate swaps	290,990	931,524	847,772	1,290	2,071,576	11,035	(11,478)
Bond futures	4,454	82	–	–	4,536	101	–
Currency derivatives	944,726	947,917	83,676	1,722	1,978,041	20,926	(19,773)
Forwards	44,479	21,093	1,372	280	67,224	588	(579)
Foreign exchange swaps	664,671	740,338	67,377	1,442	1,473,828	17,734	(16,958)
Futures	18	387	–	–	405	–	–
Options	235,558	186,099	14,927	–	436,584	2,604	(2,236)
Other derivatives	4,767	6,090	230	37	11,124	262	(123)
Equity options purchased	805	2,769	–	37	3,611	131	–
Equity options written	805	2,769	–	–	3,574	–	(21)
Commodity trading swaps	3,157	351	–	–	3,508	131	(100)
Credit default swaps	–	201	230	–	431	–	(2)
Fair value hedge derivatives							
Interest rate derivatives	–	–	500	–	500	–	(15)
Interest rate swaps	–	–	500	–	500	–	(15)
Currency derivatives	1,200	1,940	6,614	–	9,754	76	(161)
Foreign exchange swaps	1,200	1,940	6,614	–	9,754	76	(161)
Cash flow hedge derivatives							
Interest rate derivatives	2,110	10,384	9,533	330	22,357	128	(33)
Interest rate swaps	2,110	10,384	9,533	330	22,357	128	(33)
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	–	–	183	–	183	5	–
Interest rate swaps	–	–	183	–	183	5	–
Total	1,248,247	1,897,937	948,508	3,379	4,098,071	32,533	(31,583)

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	2023						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	323,413	805,040	676,727	1,791	1,806,971	5,328	(5,314)
Interest rate swaps	323,239	805,030	676,727	1,791	1,806,787	5,327	(5,314)
Bond futures	174	–	–	–	174	1	–
Interest rate options	–	10	–	–	10	–	–
Currency derivatives	664,819	717,287	39,675	1,199	1,422,980	11,692	(10,372)
Forwards	35,148	17,293	257	1,199	53,897	375	(480)
Foreign exchange swaps	426,525	394,675	30,310	–	851,510	8,853	(7,824)
Futures	1,949	3,503	–	–	5,452	–	–
Options	201,197	301,816	9,108	–	512,121	2,464	(2,068)
Other derivatives	135,119	1,553	52	35	136,759	1,485	(1,300)
Equity options purchased	63,675	293	–	35	64,003	1,110	–
Equity options written	63,675	293	–	–	63,968	–	(876)
Commodity trading swaps	7,769	327	52	–	8,148	375	(354)
Credit default swaps	–	640	–	–	640	–	(70)
Fair value hedge derivatives							
Interest rate derivatives	–	–	513	2,838	3,351	–	(123)
Interest rate swaps	–	–	513	2,838	3,351	–	(123)
Currency derivatives	–	753	7,529	–	8,282	123	(295)
Foreign exchange swaps	–	753	7,529	–	8,282	123	(295)
Cash flow hedge derivatives							
Interest rate derivatives	1,752	3,685	2,890	369	8,696	105	(38)
Interest rate swaps	1,752	3,685	2,890	369	8,696	105	(38)
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	213	–	–	–	213	–	(1)
Interest rate swaps	213	–	–	–	213	–	(1)
Total	1,125,316	1,528,318	727,386	6,232	3,387,252	18,733	(17,443)

There was no ineffective portion of cash flow hedges during the years ended 31 December 2024 and 2023.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

The credit risk weighted amounts in respect of these derivatives are as follows:

	2024	2023
Default risk weighted assets of counterparties	**4,254**	2,586
Credit valuation adjustment risk weighted assets	**2,353**	2,410
Total	**6,607**	4,996

Since 1 January 2024, the risk weighted amounts in respect of derivatives are calculated in accordance with *Rules on Capital Management of Commercial Banks*. The amounts within the scope approved by the former CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those that are not eligible for the Internal Ratings-Based approach.

(g) Fair value information

(i) Methods of determining fair value of financial instruments

Several of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRS Accounting Standards, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

– Level 3 inputs are unobservable inputs for the asset or liability.

The Group recognises transfers among levels of the fair value hierarchy at the end of the reporting period during which the transfer takes place.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis

The following tables present the fair value information and the fair value hierarchy, at the end of the reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date:

	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	15,699	584,337	3,317	603,353
– Debt securities	14,204	237,508	340	252,052
– Long position in precious metal contracts	134	–	–	134
– Equity investments	1,360	3	1,899	3,262
– Fund investments	1	343,079	871	343,951
– Wealth management products	–	3,134	–	3,134
– Other	–	613	207	820
Financial investments designated at FVTPL	1,646	12,019	–	13,665
– Debt securities	1,646	12,019	–	13,665
Derivative financial assets	–	32,533	–	32,533
Loans and advances to customers at FVTPL	–	34,601	1,174	35,775
Debt investments at FVTOCI	230,469	861,658	–	1,092,127
Loans and advances to customers at FVTOCI	–	345,349	206,343	551,692
Equity investments designated at FVTOCI	12,873	1,903	7,539	22,315
Total	260,687	1,872,400	218,373	2,351,460
Liabilities				
Financial liabilities held for trading	28,757	389	–	29,146
– Financial liabilities related to precious metal	28,757	–	–	28,757
– Short position on bonds	–	389	–	389
Financial liabilities designated at FVTPL	5,567	31,592	1,156	38,315
– Debt securities issued	5,567	–	–	5,567
– Other	–	31,592	1,156	32,748
Derivative financial liabilities	–	31,583	–	31,583
Total	34,324	63,564	1,156	99,044

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

The following tables present the fair value information and the fair value hierarchy, at the end of the reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date: *(continued)*

	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	18,311	490,795	4,160	513,266
– Debt securities	14,923	246,526	359	261,808
– Long position in precious metal contracts	1,604	–	–	1,604
– Equity investments	1,752	341	2,392	4,485
– Fund investments	32	241,091	1,181	242,304
– Wealth management products	–	2,729	–	2,729
– Other	–	108	228	336
Financial investments designated at FVTPL	756	12,123	–	12,879
– Debt securities	756	12,123	–	12,879
Derivative financial assets	–	18,733	–	18,733
Loans and advances to customers at FVTPL	–	66,701	3,729	70,430
Debt investments at FVTOCI	140,869	758,233	–	899,102
Loans and advances to customers at FVTOCI	–	404,417	120,762	525,179
Equity investments designated at FVTOCI	10,006	2,305	7,338	19,649
Total	169,942	1,753,307	135,989	2,059,238
Liabilities				
Financial liabilities held for trading	15,748	380	–	16,128
– Financial liabilities related to precious metal	15,748	–	–	15,748
– Short position on bonds	–	380	–	380
Financial liabilities designated at FVTPL	5,179	20,826	1,825	27,830
– Certificates of deposit issued	–	212	–	212
– Debt securities issued	5,179	–	–	5,179
– Other	–	20,614	1,825	22,439
Derivative financial liabilities	–	17,443	–	17,443
Total	20,927	38,649	1,825	61,401

During the years ended 31 December 2024 and 2023, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised as Level 1

Bloomberg etc. are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurement categorised as Level 2

Fair value of RMB denominated bonds whose value is available on China Bond website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market is measured by using the comprehensive valuations provided by Bloomberg, etc.

Fair value of foreign exchange forwards contracts in derivative financial instruments is measured by discounting the differences between the contract prices and market future prices of the foreign exchange forwards contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options are measured by using the Black-Scholes model, based on market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contract. The above market data used are quoted price in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial instruments is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of the reporting period. The discount rates used are the related currency denominated swap yield curve as at the end of reporting period.

Observable quoted price in market or valuation techniques applicable at present are used as the basis of determining the value of equity investments measured at FVTPL, investment funds and wealth management products.

The fair value of discounted bills at FVTOCI and at FVTPL is mainly measured based on the rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange Corporation Ltd. The Group uses 10-day average discount rate as the basis for calculating the value of discounted bills; or is measured by discounted cash flow approach.

The fair value of equity investments designated at FVTOCI is measured by using the comprehensive valuations on Bloomberg or discounted cash flow approach using the relevant yield curve of China Bond at the end of the reporting period.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of "Other" under financial investments measured at FVTPL is measured based on the net asset values.

The fair value of other financial liabilities designated at FVTPL 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.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3:

	Fair value as at 31 December 2024	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	1,022	Market approach	Liquidity discount
Equity investments designated at FVTOCI	67	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	6,450	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	1,174	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	206,343	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	1,119	Market approach	Liquidity discount
– Equity investments	516	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	264	Net asset value approach	Net assets, liquidity discount
– Debt securities	340	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	807	Net fund value approach	Net assets
– Fund investments	64	Market approach	Liquidity discount
– Other	163	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Other	44	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	1,156	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: (continued)

	Fair value as at 31 December 2023	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	2,742	Market approach	Liquidity discount
Equity investments designated at FVTOCI	71	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	4,525	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	3,729	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	120,762	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	1,520	Market approach	Liquidity discount
– Equity investments	642	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	230	Net asset value approach	Net assets, liquidity discount
– Debt securities	359	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	1,180	Net fund value approach	Net assets
– Fund investments	1	Market approach	Liquidity discount
– Other	184	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Other	44	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	1,825	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: (continued)

Valuation of financial instruments with significant unobservable inputs

The following tables show the movements from the beginning balances to the ending balances for Level 3 financial instruments:

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2024	4,160	3,729	120,762	7,338	135,989
Profit or loss					
– In profit or loss	(531)	(84)	–	–	(615)
– In other comprehensive income	–	–	252	297	549
Addition for the year	72	–	485,550	–	485,622
Disposals or settlement on maturity	(179)	(2,472)	(400,221)	(104)	(402,976)
Transfer out of level 3	(214)	–	–	–	(214)
Exchange difference	9	1	–	8	18
At 31 December 2024	3,317	1,174	206,343	7,539	218,373
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(434)	(104)	–	–	(538)

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2023	4,714	4,991	100,430	7,390	117,525
Profit or loss					
– In profit or loss	(14)	117	–	–	103
– In other comprehensive income	–	–	103	(131)	(28)
Addition for the year	553	70	325,509	77	326,209
Disposals or settlement on maturity	(596)	(1,451)	(305,280)	(1)	(307,328)
Transfer out of level 3	(560)	–	–	–	(560)
Exchange difference	63	2	–	3	68
At 31 December 2023	4,160	3,729	120,762	7,338	135,989
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(98)	14	–	–	(84)

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the qualitative information of key parameters for recurring fair value measurements categorised as Level 3: (continued)

Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities at fair value through profit or loss	2024	2023
Balance as at 1 January	**1,825**	2,647
In loss	**(235)**	(122)
Addition for the year	**6**	–
Disposals and settlement on maturity	**(455)**	(739)
Exchange difference	**15**	39
Balance as at 31 December	**1,156**	1,825
Total unrealised gains and losses included in the consolidated statement of profit or loss for liabilities held at the end of the reporting period	**(235)**	(122)

During the years ended 31 December 2024 and 2023, there were no significant transfers among different levels for financial instruments which are measured at fair value on a recurring basis.

During the years ended 31 December 2024 and 2023, the Group did not change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on a recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial Assets

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets not measured at fair value mature within 1 year, and their carrying values approximate their fair values.

Loans and advances are stated at amortised costs less allowances for impairment loss (Note 22). Loans and advances at amortised cost are mostly priced at floating rates with reference to Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances is close to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed bonds is disclosed in Note 23(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed as below:

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets using Bloomberg etc. For Level 2, the latest valuation results released by China Bond website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which are measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	2024					2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	1,920,461	2,066,244	71,429	1,913,893	80,922	1,728,620	1,791,963	61,918	1,659,705	70,340

Note: The above financial assets do not include accrued interest.

(2) Financial Liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximate their fair value at the end of the reporting period, except for the financial liabilities set out below:

	2024					2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt securities issued	85,003	89,325	–	89,325	–	119,193	118,924	–	118,924	–

Note: The above financial liabilities do not include accrued interest.

61. Material related party transactions

(a) Material connected person information

Details of the Bank's major shareholders and their parent companies are as follows:

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group (CMG)	Beijing	RMB16,900 million	7,559,427,375	29.97% (note (i)(vii))	–	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
– China Merchants Steam Navigation Co., Ltd. (CMSN)	Beijing	RMB17,000 million	3,289,470,337	13.04% (note (ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
– Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600 million	1,258,542,349	4.99%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
– Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600 million	944,013,171	3.74%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
– China Merchants Financial Holdings Co., Ltd.	Shenzhen	RMB7,778 million	1,147,377,415	4.55%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Miao Jianmin
– Best Winner Investment Ltd.	British Virgin Islands	USD 1	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–
– China Merchants Union (BVI) Limited	British Virgin Islands	USD0.06 million	477,903,500	1.89%	–	–	Shareholder	Limited liability	–
– China Merchants Industry Development (Shenzhen) Ltd.	Shenzhen	USD10 million	55,196,540	0.22%	–	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China COSCO Shipping Corporation Limited.	Shanghai	RMB11,000 million	2,515,193,034	9.97% (note(iii))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Wan Min
– China Ocean Shipping Co., Ltd.	Beijing	RMB16,191 million	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Wan Min
– COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191 million	696,450,214	2.76%	–	Shipping business	Shareholder	Limited liability	Shou Jian
– Guangzhou COSCO Shipping Haining Technology Co., Ltd.	Guangzhou	RMB52 million	103,552,616	0.41%	–	Business services	Shareholder	Limited liability	Chen Jianyao
– COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399 million	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited liability	Zhao Bangtao
– COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500 million	54,721,930	0.22%	–	Leasing business, financing business, insurance business etc.	Shareholder	Limited liability	Zhang Mingwen
– Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299 million	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited liability	Liu Wenbao
China Communications Construction Group Limited	Beijing	RMB7,274 million	406,670,418	1.61% (note(iv))	–	General contractor for construction	Shareholder's parent company	Limited liability	Wang Tongzhou
– China Communications Construction Company Limited	Beijing	RMB16,166 million	201,089,738	0.80%	–	General contractor for construction, leasing and repair, technical consulting service, imports and exports, investment and management business	Shareholder	Joint stock limited company	Wang Tongzhou
Shanghai Automotive Industry Corporation (Group)	Shanghai	RMB21,749 million	310,125,822	1.23% (note(v))	–	Production and sale of vehicles, asset management business, domestic trade business, consulting service	Shareholder's parent company	Limited liability	Wang Xiaoqiu
– SAIC Motor Corporation Limited	Shanghai	RMB11,575 million	310,125,822	1.23%	–	Production and sale of vehicles, consulting service, imports and exports	Shareholder	Joint stock limited company	Wang Xiaoqiu

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Insurance Security Fund Co., Ltd	Beijing	RMB100 million	140,927,147	0.56% (note(vi))	–	Investing and establishing insurance companies, supervising and managing various domestic and international businesses of holding investment enterprises, and investment business permitted by national laws and regulations, etc.	Shareholder's parent company	Limited liability	Ji Yuhua
– Dajia Life Insurance Co., Ltd	Beijing	RMB30,790 million	140,927,147	0.56% (note(vi))	–	Life insurance, health insurance, accident insurance, and other personal insurance services, etc.	Shareholder	Joint stock limited company	He Xiaofeng
CMB International Capital Holdings Corporation Limited (CMBIC)	Hong Kong	HKD4,129 million	–	–	100%	Investment bank and investment managements	Subsidiary	Limited liability	Wang Liang
CMB Financial Leasing Company Limited (CMBFL)	Shanghai	RMB18,000 million	–	–	100%	Finance lease	Subsidiary	Limited liability	Zhong Desheng
CMB Wing Lung Bank Limited (CMB WLB)	Hong Kong	HKD1,161 million	–	–	100%	Banking	Subsidiary	Limited liability	Wang Liang
China Merchants Fund Management Co., Ltd. (CMFM)	Shenzhen	RMB1,310 million	–	–	55%	Fund Management	Subsidiary	Limited liability	Wang Xiaoqing
CMB Wealth Management Co., Ltd	Shenzhen	RMB5,556 million	–	–	90%	Asset management	Subsidiary	Limited liability	Wu Jianbin
China Merchants Europe S.A. (CMB Europe S.A.)	Luxembourg	EUR100 million	–	–	100%	Banking	Subsidiary	Limited liability	Xue Fei
Cigna & CMB Asset Management Company Limited (CIGNA & CMAM)	Beijing	RMB500 million	–	–	Note24 (vii)	Asset management	Subsidiary	Limited liability	Wang Xiaoqing

Notes:

(i) CMG held 29.97% of the Bank indirectly (31 December 2023: 29.97%) through its subsidiaries as at 31 December 2024.

(ii) As the largest direct shareholder, CMSN, a subsidiary of CMG, holds 13.04% of the Bank as at 31 December 2024 (2023: 13.04%).

(iii) China COSCO Shipping Corporation Ltd. holds 9.97% of the Bank (2023: 9.97%) through its subsidiaries.

(iv) China Communications Construction Group Limited ("China Communications Construction Group") holds 1.61% of the Bank through its subsidiaries (2023:1.68%).

(v) Shanghai Automotive Industry Corporation (Group) ("Shanghai Automotive Industry Group") holds 1.23% of the Bank through its subsidiaries (SAIC Motor Corporation Limited) (2023: 1.23%).

(vi) China Insurance Security Fund Co., Ltd ("China Insurance Security Fund") holds 0.56% of the Bank (2023: 3.08%) through its 98.23% holding in Dajia Insurance Group Co., Ltd.

(vii) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The registered capital of the Group's related parties as at 31 December 2024 and 2023 are as follows:

Name of related party	2024		2023	
CMG	RMB	16,900,000,000	RMB	16,900,000,000
CMSN	RMB	17,000,000,000	RMB	17,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
China Merchants Financial Holdings Co., Ltd.	RMB	7,778,000,000	RMB	7,778,000,000
Best Winner Investment Ltd.	USD	1	USD	1
China Merchants Union (BVI) Limited	USD	60,000	USD	60,000
China Merchants Industry Development (Shenzhen) Ltd.	USD	10,000,000	USD	10,000,000
China COSCO Shipping Corporation Limited	RMB	11,000,000,000	RMB	11,000,000,000
China Ocean Shipping Co., Ltd.	RMB	16,191,351,300	RMB	16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	RMB	3,191,200,000	RMB	3,191,200,000
– Guangzhou COSCO Shipping Haining Technology Co., Ltd.	RMB	52,000,000	RMB	52,000,000
COSCO Shipping (Shanghai) Co., Ltd.	RMB	1,398,941,000	RMB	1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	HKD	500,000,000	HKD	500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	RMB	299,020,000	RMB	299,020,000
China Communications Construction Group Limited	RMB	7,274,023,830	RMB	7,274,023,830
China Communications Construction Company Limited	RMB	16,165,711,425	RMB	16,165,711,425
Shanghai Automotive Industry Corporation (Group)	RMB	21,749,175,737	RMB	21,749,175,737
SAIC Motor Corporation Limited	RMB	11,575,299,445	RMB	11,683,461,365
China Insurance Security Fund	RMB	100,000,000	RMB	100,000,000
Dajia Life Insurance Co., Ltd	RMB	30,790,000,000	RMB	30,790,000,000
CMBIC	HKD	4,129,000,000	HKD	4,129,000,000
CMBFL	RMB	18,000,000,000	RMB	12,000,000,000
CMB WLB	HKD	1,160,950,575	HKD	1,160,950,575
CMFM	RMB	1,310,000,000	RMB	1,310,000,000
CMBWM	RMB	5,555,555,555	RMB	5,555,555,555
CMB Europe S. A.	EUR	100,000,000	EUR	100,000,000
CIGNA & CMAM	RMB	500,000,000	RMB	500,000,000

The proportion of the Bank held by the largest shareholder and the portion of the subsidiaries held by the Bank

	The Bank held by the largest shareholder		The subsidiaries held by the Bank													
	CMSN		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2024	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	100,000,000	100.00	500,000,000	note
At 31 December 2024	3,289,470,337	13.04	4,129,000,000	100.00	18,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	100,000,000	100.00	500,000,000	note

	The Bank held by the largest shareholder		The subsidiaries held by the Bank													
	CMSN		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2023	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	50,000,000	100.00	500,000,000	note
At 31 December 2023	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	100,000,000	100.00	500,000,000	note

Note: This information is detailed in note 24.

As of 31 December 2024, other than those disclosed above, there were 85 companies that shared common directors, supervisors and senior management including their close family members with the Bank and they can control or exercise significant influence over these companies (31 December 2023: 92).

61. Material related party transactions *(continued)*

(b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, deposit taking, securities trading, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related-party transactions under normal commercial terms. Interest rates on loans and deposits are strictly set in accordance with the deposit and loan interest rate management regulations published by the PBOC, and such banking transactions are priced based on the market prices at the time of transactions:

	2024	2023
Short-term loans	**3.10% to 3.45%**	3.55% to 3.65%
Medium to long-term loans	**3.10% to 4.20%**	3.55% to 4.30%
Demand deposits	**0.10% to 0.35%**	0.35%
Time deposits	**0.80% to 2.75%**	1.10% to 2.75%

There were no loans and advances granted to related parties that were credit impaired during the year (2023: None).

(c) Shareholders and their related companies

The Bank's largest shareholder CMG and its related companies held 29.97% (2023: 29.97%) of the Bank's shares as at 31 December 2024 (among them 13.04% of the shares were directly held by CMSN (2023: 13.04%).

The Group's transactions and balances with CMSN and its related companies are disclosed as follows:

	2024	2023
On-balance sheet:		
– Amounts held under resale agreements	**–**	2,942
– Loans and advances to customers	**58,843**	46,466
– Financial investments	**7,580**	12,159
– Deposits from banks and other financial institutions	**36,109**	26,119
– Deposits from customers	**75,028**	59,227
– Lease liabilities	**186**	170
Off-balance sheet:		
– Irrevocable guarantees	**8,096**	3,510
– Irrevocable letters of credit	**1,004**	971
– Bills of acceptances	**599**	289
Interest income	**1,979**	2,364
Interest expense	**(1,366)**	(1,475)
Net fee and commission income	**425**	1,282
Operating expenses	**(1,012)**	(847)
Other net income	**238**	146

61. Material related party transactions *(continued)*

(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 61(c)) and they can control or exercise significant influence over the companies

	2024	2023
On-balance sheet:		
– Loans and advances to customers	**8,805**	9,360
– Financial investments	**–**	2,116
– Deposits from banks and other financial institutions	**1**	1,683
– Placements from banks and other financial institutions	**–**	300
– Deposits from customers	**14,362**	12,304
Off-balance sheet:		
– Irrevocable guarantees	**6**	310
– Bills of acceptances	**3**	–
Interest income	**412**	601
Interest expense	**(200)**	(460)
Net fee and commission income	**66**	9
Operating expenses	**(3,330)**	(3,440)
Other net income	**–**	4

(e) Associates and joint ventures other than those disclosed in Note 61(c)

	2024	2023
On-balance sheet:		
– Placements with banks and other financial institutions	**12,800**	17,500
– Loans and advances to customers	**6,459**	5,771
– Deposits from banks and other financial institutions	**1,055**	894
– Deposits from customers	**658**	731
Off-balance sheet:		
– Irrevocable guarantees	**2**	–
Interest income	**775**	432
Interest expense	**(35)**	(26)
Net fee and commission income	**1,722**	2,307
Operating expenses	**(197)**	(1)
Other net income	**16**	16

61. Material related party transactions *(continued)*

(f) Other major shareholders holding more than 5% shares of the Bank and exercising significant influence over the Bank

	2024	2023
On-balance sheet:		
– Placements with banks and other financial institutions	–	600
– Loans and advances to customers	46,929	38,949
– Financial investments	250	995
– Deposits from banks and other financial institutions	4,439	3,908
– Deposits from customers	24,718	20,537
– Lease liabilities	13	27
Off-balance sheet:		
– Irrevocable guarantees	12,979	12,146
– Irrevocable letters of credit	4,349	3,530
– Bills of acceptances	5,398	6,325
Interest income	1,455	1,616
Interest expense	(405)	(510)
Net fee and commission income	177	114
Operating expenses	(2)	(2)
Other net income	553	291

(g) Subsidiaries

	2024	2023
On-balance sheet		
– Balances with banks and other financial institutions	5,585	2,204
– Placements with banks and other financial institutions	26,848	26,404
– Loans and advances to customers	15,984	12,442
– Financial investments	1,526	3,711
– Deposits from banks and other financial institutions	6,552	3,578
– Deposits from customers	8,100	6,056
Off-balance sheet		
– Irrevocable letters of credit	–	1,289
– Bills of acceptances	–	1,009
Interest income	1,434	1,360
Interest expense	(120)	(115)
Net fee and commission income	591	651
Operating expenses	(6,614)	(6,101)
Other net income	610	308

All significant balances and transactions between the Bank and its subsidiaries have been eliminated in the consolidated financial statements.

61. Material related party transactions *(continued)*

(h) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

	2024 RMB'000	2023 RMB'000
Salaries and other emoluments	**35,001**	37,228
Discretionary bonuses	**–**	–
Share-based payment	**–**	(18,121)
Contributions to defined contribution retirement schemes	**–**	–
Total	**35,001**	19,107

The above share-based payments represent the estimated fair value of the share appreciation rights granted (Note 39(a)(iii)) to senior management under the Bank's H share Appreciation Rights Scheme. The fair value is measured by using the Black-Scholes model and according to the accounting policy set out in Note 4(16); and the amounts are charged to the consolidated statement of profit or loss and other comprehensive income. As the share options may expire without being exercised, the directors consider the amounts disclosed are not representative of actual cash flows received or to be received by senior management.

(i) Annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2024 and 2023.

62. Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the subsidiaries, the Group does not have any subsidiary with significant non-controlling interests during the reporting period.

(a) Perpetual debt capital

CMB WLB, the Group's subsidiary, issued perpetual debt of USD400 million on 24 January 2019, and fully redeemed the perpetual debt in the current period. Movements of these perpetual debt capital are as follows:

	Principal	Distributions/Paid	Total
At 1 January 2024	**2,838**	**–**	**2,838**
Redemption in 2024	**(2,886)**	**–**	**(2,886)**
Distributions in 2024	**–**	**93**	**93**
Paid in 2024	**–**	**(93)**	**(93)**
Exchange difference	**48**	**–**	**48**
At 31 December 2024	**–**	**–**	**–**

	Principal	Distributions/Paid	Total
At 1 January 2023	2,787	–	2,787
Distributions in 2023	–	182	182
Paid in 2023	–	(182)	(182)
Exchange difference	51	–	51
At 31 December 2023	2,838	–	2,838

There is no maturity for the instruments and the payments of distribution can be cancelled at the discretion of the issuer. Cancelled interest is non-cumulative. There is no contractual obligation to deliver cash to other parties. During the years ended 31 December 2024 and 2023, CMB WLB did not cancel the payment of distribution and the corresponding amounts were paid to the perpetual debt holders accordingly.

63. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases, such transfers may give rise to full or partial derecognition of the financial assets concerned, and in other cases the transfers may not qualify for derecognition as the Group retains substantially all the risks and rewards of these transferred assets. As a result, the Group continues to recognise these transferred assets.

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise 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 are securitised and qualified for derecognition, based on the criteria set out in Note 4(5), the Group derecognises the transferred credit assets in their entirety. During the year of 2024, the Group transferred loans amounting to RMB22,569 million (2023: RMB22,589 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans were then derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets, the remaining portion is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the year ended 31 December 2024, there were nil as of new securitised credit assets in which the Group retained the continuing involvement (2023: Nil). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability, are recognised in other assets and other liabilities in the consolidated statement of financial position, amounting to RMB5,274 million as at 31 December 2024 (31 December 2023: RMB5,274 million).

Transfers of credit assets to third parties

During the year of 2024, in addition to securitisation transactions, the Group transferred credit assets amounting to RMB8 million (2023: RMB1,107 million) to independent third parties directly. The Group determined that these transferred assets qualified for full derecognition, based on the criteria set out in Note 4(5), since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

64. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured entities, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the Group's interests in structured entities which is not covered by the consolidated financial statements is as follows:

(a) Interests in the structured entities sponsored by third parties institutions

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets-backed securities and fund investments, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the balance of interests held by the Group in the structured entities sponsored by third parties and an analysis of the line items in the consolidated statement of financial positions as at 31 December 2024 and 31 December 2023:

	2024				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	596	69,168	–	69,764	69,764
Trust beneficiary rights	163	12,942	–	13,105	13,105
Asset-backed securities	1,755	1,818	43,911	47,484	47,484
Fund investments	334,929	–	–	334,929	334,929
Wealth management products	432	–	–	432	432
Total	337,875	83,928	43,911	465,714	465,714

	2023				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	–	35,275	–	35,275	35,275
Trust beneficiary rights	184	25,020	–	25,204	25,204
Asset-backed securities	320	1,073	17,983	19,376	19,376
Fund investments	227,477	–	–	227,477	227,477
Wealth management products	580	–	–	580	580
Total	228,561	61,368	17,983	307,912	307,912

The maximum exposures of investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset-backed securities are the balance of these assets.

64. Interests in unconsolidated structured entities *(Continued)*

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. 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 issuance of investment products to investors. Interest of the Group in these unconsolidated structured entities is limited to fees and commissions charged for management services provided.

As at 31 December 2024, the amount of unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,470,334 million (31 December 2023: RMB2,548,929 million).

As at 31 December 2024, the amount of unconsolidated funds sponsored by the Group was RMB1,320,359 million (31 December 2023: RMB1,237,828 million).

As at 31 December 2024, the amount of unconsolidated asset management schemes sponsored by the Group was RMB299,261 million (31 December 2023: RMB289,215 million).

As at 31 December 2024, amounts held under resale agreements transacted between the Group and the non-principal-guaranteed wealth management products sponsored by the Group were RMB18,397 million (31 December 2023: RMB25,701 million). The above transactions were conducted in accordance with normal business terms and conditions.

As at 31 December 2024, the amount of unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB2,703 million (31 December 2023: RMB2,149 million).

As at 31 December 2024, the amount of unconsolidated funds held by the Group was RMB9,022 million (31 December 2023: RMB14,827 million).

During the year ended 31 December 2024, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB9,088 million (2023: RMB10,394 million).

During the year ended 31 December 2024, the amount of fee and commission income the Group received from such unconsolidated funds was RMB6,288 million (2023: RMB5,041 million).

During the year ended 31 December 2024, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB637 million (2023: RMB653 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2024 with a maturity date before 31 December 2024 was RMB366,222 million (2023: RMB502,145 million).

65. Comparative figures

Certain comparative figures in the notes have been re-presented to conform to presentation in current year.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the NFRA's *Rules on Capital Management of Commercial Banks*. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

	2024	2023
Core tier-1 capital adequacy ratio	**14.86%**	13.73%
Tier-1 capital adequacy ratio	**17.48%**	16.01%
Capital adequacy ratio	**19.05%**	17.88%
Components of capital base		
Core tier-1 capital:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**65,548**	65,547
Surplus reserve	**122,614**	108,700
General reserve	**155,404**	141,184
Retained earnings	**626,082**	563,114
Qualifying portion of non-controlling interests	**–**	–
Other (note (i))	**41,524**	16,994
Total core tier-1 capital	**1,036,392**	920,759
Regulatory deductions from core tier-1 capital	**13,344**	13,451
Net core tier-1 capital	**1,023,048**	907,308
Additional tier-1 capital (note (ii))	**180,446**	150,446
Net tier-1 capital	**1,203,494**	1,057,754
Tier-2 capital:		
Qualifying portion of tier-2 capital instruments and their premium	**–**	–
Surplus provision for impairment	**108,248**	122,175
Qualifying portion of non-controlling interests	**–**	1,558
Total tier-2 capital	**108,248**	123,733
Regulatory deductions from core tier-2 capital	**–**	–
Net tier-2 capital	**108,248**	123,733
Net capital	**1,311,742**	1,181,487
Total risk-weighted assets (taking into consideration the capital floor requirements)	**6,885,783**	6,608,021

Notes:

(i) Under the NFRA's *Rules on the Capital Management of Commercial Banks*, other includes exchange reserve in the unaudited consolidated financial statements, etc.

(ii) The Group's additional tier-1 capital includes preference shares, qualifying portion of non-controlling interests, etc.

In 2024, in accordance with the Advanced Measurement Approach approved by former CBIRC in April 2014, the Bank's core tier-1 capital adequacy ratio is 14.84%, tier-1 capital adequacy ratio is 17.53%, capital adequacy ratio is 19.17%, net capital is RMB1,180,786 million and total risk-weighted assets is RMB6,160,977 million (taking into consideration the capital floor requirements).

In 2024, the Group's core tier-1 capital adequacy ratio was 12.43%, tier-1 capital adequacy ratio was 14.63%, capital adequacy ratio was 15.73%, net capital was RMB1,293,801 million and total risk-weighted assets were RMB8,227,390 million, using the Weighted Approach for credit risk, the Standardised Approach for market risk and the Standardised Approach for operational risk in the calculations.

In 2024, the Bank's core tier-1 capital adequacy ratio was 12.19%, tier-1 capital adequacy ratio was 14.40%, capital adequacy ratio was 15.49%, net capital was RMB1,162,413 million and total risk-weighted assets were RMB7,503,260 million, using the Weighted Approach for credit risk, the Standardised Approach for market risk and the Standardised Approach for operational risk in the calculations.

(B) leverage ratio

In accordance with the NFRA's *Rules on Capital Management of Commercial Banks*, the Group's leverage ratio is shown below. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The difference between regulatory items and accounting items:

		31 Dec 2024	30 Sep 2024
1	Total consolidated assets as per published financial statements	**12,152,036**	11,654,763
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(68,004)**	(68,683)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**–**	–
4	Adjustments for derivative financial instruments	**5,042**	15,338
5	Adjustment for securities financing transactions	**366**	1,984
6	Adjustment for off-balance sheet items	**2,142,739**	2,077,827
7	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	**–**	–
8	Adjustment for unsettled financial assets	**(62)**	(555)
9	Adjustments for eligible cash pooling transactions	**–**	–
10	Adjustments for temporary exemption of central bank reserves (if applicable)	**–**	–
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	**–**	–
12	Other adjustments	**(13,344)**	(12,981)
13	**Leverage ratio exposure measure**	**14,218,773**	13,667,693

(B) leverage ratio *(Continued)*

Leverage ratio, net tier-1 capital, adjusted on-balance sheet and off-balance sheet assets and other information:

		31 Dec 2024	30 Sep 2024
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	**12,093,336**	11,576,437
2	Less: Specific and general provisions associated with on-balance sheet exposures deducted in determining Tier 1 capital	**(312,566)**	(317,742)
3	Less: Asset amounts deducted in determining Basel III Tier 1 capital	**(13,344)**	(12,981)
4	**Adjusted on-balance sheet exposures (excluding derivatives and SFTs)**	**11,767,426**	11,245,714
Derivative exposures			
5	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**8,254**	5,875
6	Add-on amounts for potential future exposure associated with all derivatives transactions	**28,700**	28,065
7	Gross-up for derivatives collateral provided where deducted from the balance sheet assets	**–**	–
8	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	**–**	–
9	Less: Exempted central counterparty leg of client-cleared trade exposures	**–**	–
10	Effective notional amount of written credit derivatives	**615**	426
11	Less: Adjusted effective notional deductions for written credit derivatives	**–**	–
12	**Derivative exposures**	**37,569**	34,366
Securities financing transaction exposures			
13	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	**270,673**	307,802
14	Less: netted amounts of cash payables and cash receivables of gross SFT assets	**–**	–
15	Counterparty credit risk exposure for SFT assets	**366**	1,984
16	Agent transaction exposures	**–**	–
17	**Total securities financing transaction exposures**	**271,039**	309,786
Other off-balance sheet exposures			
18	Off-balance sheet exposure at gross notional amount	**9,825,831**	9,766,150
19	Less: adjustments for conversion to credit equivalent amounts	**(7,667,722)**	(7,669,654)
20	Less: Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital	**(15,370)**	(18,669)
21	**Off-balance sheet items**	**2,142,739**	2,077,827
Capital and total exposures			
22	Tier 1 capital	**1,203,494**	1,130,550
23	**Total exposures**	**14,218,773**	13,667,693

(B) leverage ratio *(Continued)*

Leverage ratio, net tier-1 capital, adjusted on-balance sheet and off-balance sheet assets and other information: *(Continued)*

		31 Dec 2024	30 Sep 2024
Leverage ratio			
24	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	**8.46%**	8.27%
24a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**8.46%**	8.27%
25	National minimum leverage ratio requirement	**4.00%**	4.00%
26	Applicable leverage buffers	**0.375%**	0.375%
Disclosure of mean values			
27	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**260,411**	187,410
27a	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**270,673**	307,802
28	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**14,208,512**	13,547,301
28a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**14,208,512**	13,547,301
29	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**8.47%**	8.35%
29a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**8.47%**	8.35%

(C) Liquidity coverage ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The average of liquidity coverage ratio of the Group was 173.85% in the fourth quarter of 2024, an increase of 3.21 percentage points from the previous quarter, which was mainly caused by the increase of high quality liquid assets. The liquidity coverage ratio of the Group at the end of the fourth quarter of 2024 was 195.74%, which met the regulatory requirements in 2024. The breakdown of the Group's average value of each item of liquidity coverage ratio in the fourth quarter of 2024 is set out below:

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**		**2,307,594**
Cash outflows			
2	Retail and small business customers deposits, of which:	4,247,410	379,242
3	Stable deposits	909,981	45,499
4	Less stable deposits	3,337,429	333,743
5	Unsecured wholesale funding, of which:	4,612,723	1,627,692
6	Operational deposits (excluding correspondent banks)	2,495,480	616,205
7	Non-operational deposits (including all counterparties)	2,095,201	989,445
8	Unsecured debt issuance	22,042	22,042
9	Secured funding		288
10	Additional requirements, of which:	2,366,200	612,999
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	497,653	497,653
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,868,547	115,346
14	Other contractual obligations to extend funds	128,539	128,539
15	Other contingent funding obligations	3,562,426	115,207
16	**Total cash outflows**		**2,863,967**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	260,656	259,728
18	Contractual inflows from fully performing loans	1,155,473	778,029
19	Other cash inflows	497,407	497,184
20	**Total cash inflows**	**1,913,536**	**1,534,941**

		Adjusted value
21	**Total stock of high quality liquid assets**	**2,307,594**
22	**Net cash outflows**	**1,329,025**
23	**Liquidity coverage ratio (%)**	**173.85%**

Notes:

(i) The domestic data in the above table is a simple arithmetic average of the 92-day value for the latest quarter and the month-end average for the data of subsidiaries.

(ii) The high quality liquid assets in the above table are prepared based on cash and the central bank reserve available under pressure conditions, as well as the bond in line with definition of Tier 1 and Tier 2 assets set by former CBIRC on the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepared and disclosed information on Net Stable Funding Ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The Group's Net Stable Funding Ratio at the end of the fourth quarter of 2024 was 133.15%, representing an increase of 0.46 percentage points as compared with the previous quarter, which was maintained basically stable. The breakdown of the Group's Net Stable Fund Ratio in the last two quarters is set out below:

31 December 2024

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Available stable funding (ASF) item						
1	Capital	1,216,831	–	–	–	1,216,831
2	Regulatory capital	1,216,831	–	–	–	1,216,831
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from Small business customer	2,462,798	2,050,701	37,376	8,611	4,154,091
5	Stable deposits	984,536	8,432	901	1,219	945,394
6	Less stable deposits	1,478,262	2,042,269	36,475	7,392	3,208,697
7	Wholesale funding	2,927,137	2,600,360	144,733	262,747	2,758,834
8	Operational deposits	2,497,248	–	–	–	1,248,624
9	Other wholesale funding	429,889	2,600,360	144,733	262,747	1,510,210
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	3,418	190,640	69,456	139,502	133,353
12	NSFR derivative liabilities				40,878	
13	All other liabilities and equity not included in the above categories	3,418	190,640	69,456	98,624	133,353
14	**Total ASF**					8,263,109
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					370,557
16	Deposits held at other financial institutions for operational purposes	27,321	8,964	41	–	18,320
17	Performing loans and securities	218,336	2,814,363	1,546,900	4,013,335	5,315,480
18	Performing loans to financial institutions secured by Level 1 HQLA	–	243,281	–	–	36,492
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	789,769	152,434	53,863	249,527
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,513,043	1,233,033	2,358,043	3,346,208
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	130,508	68,862	155,834	200,977
22	Performing residential mortgages, of which:	–	28,742	29,380	1,352,624	1,176,654
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	218,336	239,528	132,053	248,805	506,599
25	Assets with matching interdependent liabilities	–	–	–	–	–

(D) Net stable funding ratio *(continued)*

31 December 2024 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Required stable funding (RSF) item *(continued)*						
26	Other assets	**43,563**	**108,206**	**39,273**	**111,602**	**268,738**
27	Physical traded commodities, including gold	**9,419**				**8,006**
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				**1,141**	**970**
29	NSFR derivative assets				**43,560**	**2,683**
30	NSFR derivative liabilities before deduction of variation margin posted				**8,558**	**8,558**
31	All other assets not included in the above categories	**34,144**	**108,206**	**39,273**	**66,901**	**248,521**
32	Off-balance sheet items				**5,905,078**	**232,598**
33	**Total RSF**					**6,205,693**
34	**Net Stable Funding Ratio (%)**					**133.15%**

30 September 2024

(Expressed in millions of Renminbi except percentage)

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Available stable funding (ASF) item						
1	Capital	1,143,520	–	–	–	1,143,520
2	Regulatory capital	1,143,520	–	–	–	1,143,520
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from Small business customer	2,210,414	2,053,242	41,728	7,215	3,927,920
5	Stable deposits	910,082	6,435	666	1,147	872,471
6	Less stable deposits	1,300,332	2,046,807	41,062	6,068	3,055,449
7	Wholesale funding	2,581,151	2,763,001	150,146	252,495	2,664,970
8	Operational deposits	2,477,248	–	–	–	1,238,624
9	Other wholesale funding	103,903	2,763,001	150,146	252,495	1,426,346
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	3,182	213,278	76,123	121,441	133,850
12	NSFR derivative liabilities				25,653	
13	All other liabilities and equity not included in the above categories	3,182	213,278	76,123	95,788	133,850
14	**Total ASF**					7,870,260
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					366,331
16	Deposits held at other financial institutions for operational purposes	47,036	8,716	40	–	28,745
17	Performing loans and securities	158,836	2,721,398	1,380,261	3,919,061	5,081,103
18	Performing loans to financial institutions secured by Level 1 HQLA	–	280,989	–	–	42,148
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	720,790	110,280	37,050	200,491
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,496,134	1,116,537	2,342,143	3,263,584
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	131,054	74,974	167,864	212,126

(D) Net stable funding ratio *(continued)*

30 September 2024 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Required stable funding (RSF) item *(continued)*						
22	Performing residential mortgages, of which:	–	27,138	27,191	1,323,353	1,149,969
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	158,836	196,347	126,253	216,515	424,911
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	20,784	92,603	40,641	93,610	225,931
27	Physical traded commodities, including gold	6,785				5,767
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				809	688
29	NSFR derivative assets				27,338	1,686
30	NSFR derivative liabilities before deduction of variation margin posted				5,299	5,299
31	All other assets not included in the above categories	13,999	92,603	40,641	65,463	212,491
32	Off-balance sheet items				5,947,731	229,378
33	**Total RSF**					5,931,488
34	**Net Stable Funding Ratio (%)**					132.69%

Notes:

(i) The Group calculates Net Stable Funding Ratio in accordance with the "Measures for the Liquidity Risk Management of Commercial Banks" and relevant statistical regulations.

(ii) Items to be reported in the "no maturity" time include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(iii) The item 26 "Other assets" unweighted amount in the above table does not include the item 30 "NSFR derivative liabilities before deduction of variation margin posted".

(E) Currency concentrations other than RMB

	2024			
	USD	HKD	Other	Total
	(in millions of RMB)			
Non-structural position				
Spot assets	**748,358**	**193,593**	**74,475**	**1,016,426**
Spot liabilities	**694,927**	**195,071**	**81,157**	**971,155**
Forward purchased	**738,325**	**31,449**	**49,354**	**819,128**
Forward written	**794,768**	**13,811**	**44,774**	**853,353**
Net option position	**14,498**	**(116)**	**661**	**15,043**
Net long position	**11,486**	**16,044**	**(1,441)**	**26,089**
Net structural position	**14,190**	**36,476**	**100**	**50,766**

	2023			
	USD	HKD	Other	Total
	(in millions of RMB)			
Non-structural position				
Spot assets	601,745	31,474	47,462	680,681
Spot liabilities	553,972	18,032	90,942	662,946
Forward purchased	417,752	6,195	76,916	500,863
Forward written	476,337	7,311	38,999	522,647
Net option position	12,236	(79)	3,562	15,719
Net long position	1,424	12,247	(2,001)	11,670
Net structural position	8,481	41,314	1,552	51,347

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange.

(F) International claims

The Group is principally engaged in business operations within the mainland China, and regards all claims on third parties outside the mainland China and claims in foreign currencies on third parties within the mainland China as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

International claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk is transferred only when the claims are guaranteed by a party in 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.

	2024			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currencies transactions in the mainland China	122,484	12,623	120,710	255,817
Asia Pacific excluding the mainland China	78,918	31,004	216,901	326,823
– of which attributed to Hong Kong	47,984	24,822	190,446	263,252
Europe	24,834	6,193	21,654	52,681
North and South America	44,952	154,054	24,865	223,871
Total	271,188	203,874	384,130	859,192

	2023			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currencies transactions in the mainland China	105,171	2,079	132,845	240,095
Asia Pacific excluding the mainland China	49,161	19,653	199,166	267,980
– of which attributed to Hong Kong	24,986	17,202	181,581	223,769
Europe	19,866	1,598	21,029	42,493
North and South America	68,925	119,692	17,584	206,201
Total	243,123	143,022	370,624	756,769

(G) Further analysis on loans and advances to customers analysed by industry sector

Operation in the mainland China

	2024		2023	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Manufacturing	652,430	16	557,691	17
Transportation, storage and postal services	497,123	39	477,016	37
Production and supply of electric power, heat, gas and water	333,400	29	259,864	30
Property development	287,798	64	303,707	50
Wholesale and retail	222,593	14	187,737	14
Leasing and commercial services	186,736	14	186,463	13
Telecommunications, software and IT services	124,026	34	95,394	34
Construction	105,294	14	110,577	14
Finance	89,007	14	88,296	15
Mining	49,632	15	42,326	14
Water, environment and public utilities management	36,728	40	42,813	42
Other	88,901	23	76,400	23
Subtotal of corporate loans and advances	2,673,668	28	2,428,284	27
Discounted bills	379,950	100	471,127	100
Residential mortgage	1,404,101	100	1,376,815	100
Credit cards	947,712	–	935,777	–
Micro-finance loans	824,128	78	750,019	78
Consumer loans	396,161	1	301,538	2
Other	5,388	82	7,806	90
Subtotal of retail loans and advances	3,577,490	57	3,371,955	59
Gross amount of loans and advances to customers	6,631,108	48	6,271,366	50

(G) Further analysis on loans and advances to customers analysed by industry sector *(Continued)*

Operation outside the mainland China

	2024		2023	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Finance	**51,257**	**18**	45,368	11
Transportation, storage and postal services	**44,972**	**8**	36,248	12
Property development	**30,753**	**29**	22,960	27
Manufacturing	**17,200**	**16**	19,335	4
Telecommunications, software and IT services	**10,991**	**3**	8,323	11
Production and supply of electric power, heat, gas and water	**9,856**	**8**	12,359	–
Leasing and commercial services	**7,756**	**11**	6,207	4
Wholesale and retail	**5,118**	**10**	10,002	4
Construction	**2,672**	**1**	623	3
Mining	**2,335**	**–**	4,945	–
Water, environment and public utilities management	**1,051**	**–**	419	–
Other	**6,111**	**48**	4,782	41
Subtotal of corporate loans and advances	**190,072**	**16**	**171,571**	**12**
Residential mortgage	**13,349**	**100**	8,671	100
Credit cards	**131**	**–**	133	–
Micro-finance loans	**1,315**	**100**	1,278	100
Other	**52,340**	**99**	55,846	95
Subtotal of retail loans and advances	**67,135**	**99**	**65,928**	**96**
Gross amount of loans and advances to customers	**257,207**	**37**	**237,499**	**35**

When the amount of loans and advances to customers for an industry/category accounts for 10% or above of the total amount of loans and advances to customers, the amount of overdue loans, impaired loans and credit impairment allowances in each expected credit loss stage are disclosed as follows:

	2024				
	Overdue loans and advances	Impaired loans and advances	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit impaired)
Residential mortgage	**11,690**	**6,840**	**10,512**	**4,369**	**4,582**
Credit card	**36,667**	**16,560**	**21,667**	**20,351**	**14,985**
Micro-business loan	**8,032**	**6,538**	**11,223**	**3,086**	**5,493**

	2023				
	Overdue loans and advances	Impaired loans and advances	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit impaired)
Residential mortgage	8,165	5,122	7,021	2,739	4,388
Credit card	29,910	16,383	26,666	19,179	15,562
Micro-business loan	5,269	4,592	9,130	1,649	3,793

As at 31 December 2024, for corporate loans and advances measured at amortised cost, the fair value of collateral held against impaired loans and advances is RMB5,261 million (31 December 2023: RMB5,222 million).

(H) Loans and advances to customers overdue for more than 90 days

(i) By geographical segments

	2024	2023
Headquarters	**12,621**	13,308
Yangtze River Delta region	**10,431**	7,613
Bohai Rim region	**5,118**	4,863
Pearl River Delta and West Coast region	**8,647**	5,342
Northeast region	**1,280**	1,433
Central region	**4,361**	5,307
Western region	**3,819**	4,538
Outside the mainland China	**352**	638
Subsidiaries	**3,018**	2,780
Total	**49,647**	45,822

(ii) By overdue period

	2024	2023
Gross amount of loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	**13,712**	11,476
– between 6 and 12 months (inclusive)	**11,489**	11,598
– over 12 months	**24,446**	22,748
Total	**49,647**	45,822
As a percentage of total gross amount of loans and advances to customers:		
– between 3 and 6 months (inclusive)	**0.20%**	0.17%
– between 6 and 12 months (inclusive)	**0.17%**	0.18%
– over 12 months	**0.35%**	0.35%
Total	**0.72%**	0.70%

(H) Loans and advances to customers overdue for more than 90 days

(Continued)

(iii) Collateral information

	2024	2023
Secured portion of overdue loans and advances	**20,716**	16,472
Unsecured portion of overdue loans and advances	**28,931**	29,350
Fair value of collateral held against overdue loans and advances	**60,047**	46,212

The amount of the Group's overdue loans and advances to financial institutions for more than 90 days as at 31 December 2024 was nil (31 December 2023: RMB1 million).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the HKMA.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular installments, if part of the installments is overdue, the whole amount of these loans would be classified as overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they were also considered as overdue.

The collateral of the Group included cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(I) Renegotiated loans and advances to customers

	2024		2023	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Renegotiated loans and advances to customers	**24,826**	**0.36%**	26,099	0.40%
Less:				
– Renegotiated loans and advances to customers overdue more than 90 days	**8,084**	**0.12%**	6,801	0.10%
– Renegotiated loans and advances to customers less than 90 days	**16,742**	**0.24%**	19,298	0.30%

The Group adopts the measures for Risk Classification of Financial Assets of Commercial Banks (CBIRC PBC Order [2023] No.1) for its rescheduled loans and advances to customers. The data at the beginning of the year has been adjusted on a consistent for the purpose of ensuring comparability.

The amount of the Group's renegotiated loans and advances to financial institutions as at 31 December 2024 was nil (31 December 2023: nil).

(J) Non-bank the mainland china exposures

The Bank is a commercial bank incorporated in the mainland China with its banking business primarily conducted in the mainland China. As of 31 December 2024 and 31 December 2023, most of the Bank's exposures arose from businesses with the mainland China non-bank institutions or individuals. Analyses of various types of exposure by counterparty have been disclosed in the notes to the financial report.

Independent Auditor's Report

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To the shareholders of China Merchants Bank Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of China Merchants Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 164 to 302, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter

Expected credit losses of loans and advances to customers

The measurement of expected credit losses (ECL) of loans and advances to customers measured at amortised cost and at fair value through other comprehensive income involves the use of numerous models, significant judgments and assumptions. For example,

- Significant increase in credit risk – Criteria for determining whether significant increase in credit risk has occurred are highly judgmental, and may have a significant impact on expected credit losses for loans and advances to customers measured with longer outstanding maturities.

- Models and parameters – Complex models, numerous inputs and parameters, including probability of default, loss given default, exposure at default, and risk grouping, are used to measure expected credit losses, involving plenty of management judgments and assumptions.

- Forward-looking information – The measurement of expected credit losses requires consideration of forward-looking information. The forecast of macro-economic and consideration of the impact of multiple probability-weighted macro-economic scenarios on expected credit losses, involving significant judgments and assumptions.

- Whether financial assets are credit-impaired – The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows.

We tested and evaluated the design and operating effectiveness of key controls over measurement of expected credit losses, including:

- With the support of our IT audit specialists, we tested and evaluated the data and system functions related to the measurement of expected credit losses, including data computational, data inputs and system interfaces of the system;

- We tested and evaluated the key controls over the management, implementation and monitoring of expected credit losses approach, including ongoing monitoring of model performance, model validation, model enhancement, approval of material models and key parameters.

We adopted a risk-based sampling approach in our loan review procedures, focusing on the asset quality of key areas such as industries that are significantly affected by macroeconomic changes. We assessed the debtors' repayment capacity and evaluated the Group's judgment in rating loans, taking into consideration post-lending inspection reports, debtors' financial information, collateral valuation reports and other available information.

With the support of our modelling specialists, our audit procedures in respect of the expected credit losses model, key parameters, and management's significant judgments and assumptions included the following:

- We reviewed the documentation of the methodology of ECL model. Taking into account results of validation and enhancement of ECL model, we assessed the reasonableness of ECL model methodology and related parameters, including probability of default, loss given default, exposure at default, risk grouping, forward-looking information and whether there had been a significant increase in credit risk;

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit losses of loans and advances to customers *(continued)* As at 31 December 2025, total loans and advances to customers measured at amortised cost and at fair value through other comprehensive income amounted to RMB7,159,767 million, accounting for 54.78% of total assets. Allowances for impairment losses of such loans and advances totalled RMB267,222 million. As the measurement of expected credit losses involves numerous significant judgments and assumptions, we consider expected credit losses for loans and advances to customers a key audit matter. Relevant disclosures are included in Notes 4(5), 5(4), 22 and 60(a) of the consolidated financial statements.	• We reviewed the validation reports of ECL model and relevant documents to evaluate the reasonableness of validation approach, completeness of validation scope, and appropriateness of validation conclusion; • In respect of the internal credit risk rating parameters used in ECL model, we understood the credit risk internal rating system and methodology. We also reviewed the validation reports of internal credit risk rating model and selected samples to evaluate the reasonableness of internal credit rating data; • We assessed the reasonableness of the selection of macro-economic variables, the determination and weighting of multiple macro-economic scenarios, and the forward-looking adjustments. We assessed the reasonableness of the forecasts of key macro-economic variables by comparing to forecasts of external authoritative institutions; • We selected samples to verify whether the calculation logic and calculation results of the ECL model are consistent with the model methodology, and assessed the accuracy of ECL model data inputs; • We assessed the reasonableness of management's determination of credit impairment. For credit-impaired loans and advances, we selected samples to evaluate the reasonableness of the amount, timing and probability of management's estimated future cash flows, especially recoverable cash flows from collaterals. We checked and evaluated the appropriateness of the consolidated financial statement disclosures in relation to the measurement of expected credit losses in the context of applicable accounting framework.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities	
The Group holds interests in many different structured entities as a result of its business activities in financial investments, asset management and asset securitization. Such interests in structured entities mainly include wealth management products, asset management plans, trust plans, asset-backed securities and funds. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation. The determination of control over structured entities requires significant judgements regarding multiple factors. These encompass: the purpose and design of the structured entities; the Group's capacity to direct their relevant activities; both direct and indirect beneficial interests and returns; performance-based management fees; as well as gains or losses arising from providing credit enhancements or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates. In view of the materiality and the complexity of management judgements, we consider consolidation assessment of structured entities a key audit matter. Relevant disclosures are included in Note 4(1), Note 5(1) and Note 64 to the consolidated financial statements.	We understood, evaluated and tested the design and operating effectiveness of key controls over the Group's assessment of whether it controls a structured entity. We reviewed the Group's analysis, which was made on the basis of a comprehensive consideration of all relevant facts and circumstances, including the power over the structured entities, the magnitude and variability of the variable returns obtained from the structured entities, and the linkage between these two aspects, to assess the Group's judgment and conclusion on whether it controls the structured entities. We understood the purpose for establishing the structured entities and reviewed of the relevant contractual documents, on a sampling basis. Taking into account the liquidity support, credit enhancement, and other relevant circumstances provided by the Group to structured entities initiated by itself such as wealth management products, we analysed whether the Group has legal or constructive obligations to ultimately absorb losses from these entities. We assessed the appropriateness of management's judgment on the consolidation of structured entities to the consolidated financial statements. We checked and assessed the appropriateness of the consolidated financial statement disclosures in relation to the consolidation of structured entities in the context of applicable accounting framework.

Other information included in the Annual Report

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Cheung Bing Yin Benny (practising certificate number: P06447).

Ernst & Young

Certified Public Accountants

Hong Kong

27 March 2026

Consolidated Statement of Profit or Loss

For the year ended 31 December 2025

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2025	2024
Interest income	6	**351,351**	374,271
Interest expense	7	**(135,758)**	(162,994)
Net interest income		**215,593**	211,277
Fee and commission income	8	**84,265**	81,040
Fee and commission expense		**(9,007)**	(8,946)
Net fee and commission income		**75,258**	72,094
Other net income	9	**40,949**	51,118
– Disposal of financial instruments at amortised cost		**1,607**	4,045
Operating income		**331,800**	334,489
Operating expenses	10	**(118,505)**	(117,650)
Operating profit before impairment losses and taxation		**213,295**	216,839
Expected credit losses	14	**(39,586)**	(39,976)
Impairment losses on other assets		**(189)**	(843)
Share of profits of joint ventures	25	**3,984**	1,713
Share of profits of associates	26	**1,489**	919
Profit before taxation		**178,993**	178,652
Income tax	15	**(27,867)**	(29,093)
Profit for the year		**151,126**	149,559
Attributable to:			
Equity holders of the Bank		**150,181**	148,391
Non-controlling interests		**945**	1,168
Earnings per share			
Basic and diluted (RMB Yuan)	17	**5.70**	5.66

The notes form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025
(Expressed in millions of Renminbi unless otherwise stated)

	Note	2025	2024
Profit for the year		**151,126**	149,559
Other comprehensive income for the year after tax			
Items that may be reclassified subsequently to profit or loss		**(20,683)**	23,770
– Share of other comprehensive income/(expense) from equity-accounted investees		**(3,144)**	2,452
– Net fair value gain/(loss) on debt instruments measured at fair value through other comprehensive income		**(13,251)**	16,423
– Net changes in expected credit losses of debt instruments measured at fair value through other comprehensive income		**(1,072)**	3,000
– Net movement in cash flow hedge reserve		**(41)**	(36)
– Exchange difference on translation of financial statements of foreign operations		**(3,175)**	1,931
Items that will not be reclassified to profit or loss		**2,612**	2,923
– Net fair value gain on equity instruments designated at fair value through other comprehensive income		**2,603**	2,903
– Remeasurement of defined benefit scheme		**9**	20
Other comprehensive income for the year, net of tax	16	**(18,071)**	26,693
Attributable to:			
Equity holders of the Bank		**(18,016)**	26,571
Non-controlling interests		**(55)**	122
Total comprehensive income for the year		**133,055**	176,252
Attributable to:			
Equity holders of the Bank		**132,165**	174,962
Non-controlling interests		**890**	1,290

The notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2025

(Expressed in millions of Renminbi unless otherwise stated)

	Notes	2025	2024
Assets			
Cash		**14,808**	16,622
Precious metals		**38,669**	9,415
Balances with central banks	18	**560,207**	557,443
Balances with banks and other financial institutions	19	**200,399**	220,231
Placements with banks and other financial institutions	20	**507,439**	408,955
Amounts held under resale agreements	21	**258,708**	271,329
Loans and advances to customers	22	**7,004,238**	6,632,548
Financial investments at fair value through profit or loss	23(a)	**647,796**	617,018
Derivative financial assets	60(f)	**18,823**	32,533
Debt investments at amortised cost	23(b)	**2,124,951**	1,941,580
Debt investments at fair value through other comprehensive income	23(c)	**1,337,950**	1,092,127
Equity investments designated at fair value through other comprehensive income	23(d)	**24,424**	22,315
Interests in joint ventures	25	**20,126**	19,310
Interests in associates	26	**12,788**	11,705
Investment properties	27	**997**	1,117
Property and equipment	28	**131,524**	128,761
Right-of-use assets	29(a)	**15,290**	16,890
Intangible assets	30	**1,922**	2,196
Goodwill	31	**9,954**	9,954
Deferred tax assets	32	**89,856**	83,674
Other assets	33	**49,654**	56,313
Total assets		**13,070,523**	12,152,036

The notes form part of these consolidated financial statements.

	Notes	2025	2024
Liabilities			
Borrowing from central banks		**111,077**	189,934
Deposits from banks and other financial institutions	34	**911,699**	699,975
Placements from banks and other financial institutions	35	**250,701**	235,376
Financial liabilities at fair value through profit or loss	36	**120,499**	67,461
Derivative financial liabilities	60(f)	**18,652**	31,583
Amounts sold under repurchase agreements	37	**95,410**	84,042
Deposits from customers	38	**9,924,558**	9,195,329
Salaries and welfare payable	39(a)	**35,959**	34,512
Tax payable	40	**14,713**	11,713
Contract liabilities	41	**3,548**	4,193
Lease liabilities	29(b)	**11,253**	12,778
Provisions	42	**16,919**	16,762
Debt securities issued	43	**143,487**	222,921
Deferred tax liabilities	32	**1,115**	1,592
Other liabilities	44	**130,034**	110,390
Total liabilities		**11,789,624**	10,918,561
Equity			
Share capital	45	**25,220**	25,220
Other equity instruments	46	**177,457**	180,446
– Preference shares	46(a)	**27,468**	27,468
– Perpetual bonds	46(b)	**149,989**	152,978
Capital reserve	47	**65,409**	65,429
Investment revaluation reserve	48	**23,574**	38,385
Hedging reserve	49	**15**	56
Surplus reserve	50	**136,270**	122,652
General reserve	51	**163,481**	154,932
Retained earnings		**654,512**	583,638
Proposed profit appropriation	52(b)	**25,296**	50,440
Exchange reserve	53	**1,641**	4,816
Total equity attributable to shareholders of the Bank		**1,272,875**	1,226,014
Non-controlling interests		**8,024**	7,461
– Non-controlling interest		**8,024**	7,461
Total equity		**1,280,899**	1,233,475
Total equity and liabilities		**13,070,523**	12,152,036

The notes form part of these consolidated financial statements.

Approved and authorised for issue by the Board of Directors on 27 March 2026.

Miao Jianmin
Director

Wang Liang
Director

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2025

(Expressed In Millions Of Renminbi Unless Otherwise Stated)

		2025													
		Total equity attributable to equity holders of the Bank												Non-controlling interests	
			Other equity instruments												
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Total
At 1 January 2025		25,220	27,468	152,978	65,429	38,385	56	122,652	154,932	583,638	50,440	4,816	1,226,014	7,461	1,233,475
Changes in equity for the year		–	–	(2,989)	(20)	(14,811)	(41)	13,618	8,549	70,874	(25,144)	(3,175)	46,861	563	47,424
(a) Net profit for the year		–	–	–	–	–	–	–	–	150,181	–	–	150,181	945	151,126
(b) Other comprehensive income for the year	16	–	–	–	–	(14,800)	(41)	–	–	–	–	(3,175)	(18,016)	(55)	(18,071)
Total comprehensive income for the year		–	–	–	–	(14,800)	(41)	–	–	150,181	–	(3,175)	132,165	890	133,055
(c) Capital movement from equity holders		–	–	(2,989)	(20)	–	–	–	–	–	–	–	(3,009)	–	(3,009)
(i) Issue of perpetual bonds	46(b)	–	–	47,000	(9)	–	–	–	–	–	–	–	46,991	–	46,991
(ii) Redemption of perpetual bonds	46(b)	–	–	(49,989)	(11)	–	–	–	–	–	–	–	(50,000)	–	(50,000)
(d) Profit appropriations		–	–	–	–	–	–	13,618	8,549	(79,318)	(25,144)	–	(82,295)	(327)	(82,622)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	13,618	–	(13,618)	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	8,549	(8,549)	–	–	–	–	–
(iii) Dividends paid	52(a)	–	–	–	–	–	–	–	–	(25,548)	(50,440)	–	(75,988)	(327)	(76,315)
(iv) Proposed year-end dividends for the year 2025	52(b)	–	–	–	–	–	–	–	–	(25,296)	25,296	–	–	–	–
(v) Dividends to preference shares		–	–	–	–	–	–	–	–	(996)	–	–	(996)	–	(996)
(vi) Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(5,311)	–	–	(5,311)	–	(5,311)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	(11)	–	–	–	11	–	–	–	–	–
At 31 December 2025		25,220	27,468	149,989	65,409	23,574	15	136,270	163,481	654,512	25,296	1,641	1,272,875	8,024	1,280,899

The notes form part of these consolidated financial statements.

		2024														
		Total equity attributable to equity holders of the Bank												Non-controlling interests		
			Other equity instruments													
	Notes	Share capital	Preference shares	Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Subtotal	Non-controlling interest	Perpetual debt capital	Total
At 1 January 2024		25,220	27,468	122,978	65,432	13,656	92	108,737	141,481	518,638	49,734	2,934	1,076,370	6,521	2,838	1,085,729
Changes in equity for the year		–	–	30,000	(3)	24,729	(36)	13,915	13,451	65,000	706	1,882	149,644	940	(2,838)	147,746
(a) Net profit for the year		–	–	–	–	–	–	–	–	148,391	–	–	148,391	1,075	93	149,559
(b) Other comprehensive income for the year	16	–	–	–	–	24,725	(36)	–	–	–	–	1,882	26,571	74	48	26,693
Total comprehensive income for the year		–	–	–	–	24,725	(36)	–	–	148,391	–	1,882	174,962	1,149	141	176,252
(c) Capital movement from equity holders		–	–	30,000	(3)	–	–	–	–	–	–	–	29,997	75	(2,886)	27,186
(i) Increase in non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	75	–	75
(ii) Issue of perpetual bonds	46(b)	–	–	30,000	(3)	–	–	–	–	–	–	–	29,997	–	–	29,997
(iii) Redemption of perpetual debt capital		–	–	–	–	–	–	–	–	–	–	–	–	–	(2,886)	(2,886)
(d) Profit appropriations		–	–	–	–	–	–	13,915	13,451	(83,387)	706	–	(55,315)	(284)	(93)	(55,692)
(i) Appropriations to statutory surplus reserve	50	–	–	–	–	–	–	13,915	–	(13,915)	–	–	–	–	–	–
(ii) Appropriations to general reserve	51	–	–	–	–	–	–	–	13,451	(13,451)	–	–	–	–	–	–
(iii) Dividends paid for the year 2023	52(a)	–	–	–	–	–	–	–	–	–	(49,734)	–	(49,734)	(284)	–	(50,018)
(iv) Distribution to perpetual debt capital		–	–	–	–	–	–	–	–	–	–	–	–	–	(93)	(93)
(v) Proposed dividends for the year 2024	52(b)	–	–	–	–	–	–	–	–	(50,440)	50,440	–	–	–	–	–
(vi) Dividends to preference shares		–	–	–	–	–	–	–	–	(996)	–	–	(996)	–	–	(996)
(vii)Distribution to perpetual bonds		–	–	–	–	–	–	–	–	(4,585)	–	–	(4,585)	–	–	(4,585)
(e) Transfers within equity upon disposal of equity instruments designated at fair value through other comprehensive income		–	–	–	–	4	–	–	–	(4)	–	–	–	–	–	–
At 31 December 2024		25,220	27,468	152,978	65,429	38,385	56	122,652	154,932	583,638	50,440	4,816	1,226,014	7,461	–	1,233,475

The notes form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2025
(Expressed in millions of Renminbi unless otherwise stated)

	2025	2024
Operating activities		
Profit before taxation	**178,993**	178,652
Adjustments for:		
– Impairment losses on loans and advances	**42,582**	43,608
– Impairment losses on investments and other	**(2,807)**	(2,789)
– Unwinding of discount on loans and advances	**(118)**	(223)
– Depreciation of property and equipment and investment properties	**11,613**	11,454
– Depreciation of right-of-use assets	**3,928**	4,107
– Amortisation of other assets	**879**	925
– Net gains on debt securities and equity investments	**(30,653)**	(26,024)
– Interest income on investments	**(91,477)**	(84,924)
– Interest expense on issued debt securities	**5,383**	7,656
– Share of profits of associates	**(1,489)**	(919)
– Share of profits of joint ventures	**(3,984)**	(1,713)
– Net gains on disposal of properties and equipment and other assets	**(742)**	(249)
– Interest expense on lease liabilities	**391**	457
Changes in:		
Balances with central banks	**16,647**	14,860
Loans and advances to customers	**(414,137)**	(432,133)
Other assets	**(121,011)**	20,925
Deposits from customers	**739,543**	941,149
Amounts due to banks and other financial institutions	**237,879**	129,098
Amounts due from banks and other financial institutions with original maturity over 3 months	**(68,410)**	(160,145)
Borrowing from central banks	**(78,832)**	(187,678)
Other liabilities	**53,548**	21,479
Cash generated from operating activities before income tax payment	**477,726**	477,573
Income tax paid	**(26,269)**	(30,550)
Net cash generated from operating activities	**451,457**	447,023
Investing activities		
Proceeds from disposals and redemptions of investments	**2,270,020**	2,045,080
Investment income received	**125,561**	113,717
Proceeds from the disposals of property and equipment and other assets	**13,074**	10,757
Proceeds from the disposals of subsidiaries, associates or joint ventures	**638**	416
Payment for the purchases of investments	**(2,705,121)**	(2,427,328)
Payment for the acquisition of subsidiaries, associates or joint ventures	**(951)**	(571)
Payment for the purchases of property and equipment and other assets	**(28,141)**	(34,930)
Net cash used in investing activities	**(324,920)**	(292,859)

The notes form part of these consolidated financial statements.

	Notes	2025	2024
Financing activities			
Proceeds from the issuance of negotiable interbank certificates of deposit	55(b)	**27,230**	155,569
Proceeds from the issuance of certificates of deposit and other debt securities	55(b)	**81,221**	61,462
Proceeds from the issuance of debt securities	55(b)	**27,237**	24,995
Proceeds from the issuance of perpetual bonds		**46,991**	29,997
Proceeds from other financing activities	55(b)	**19,529**	9,947
Repayment of negotiable interbank certificates of deposit	55(b)	**(105,950)**	(90,160)
Repayment of certificates of deposit and other debt securities	55(b)	**(77,173)**	(49,187)
Repayment of debt securities	55(b)	**(35,801)**	(59,989)
Payment for redemption of perpetual bonds		**(50,000)**	–
Payment for lease liabilities	55(b)	**(4,534)**	(4,793)
Payment for redemption of perpetual debt capital		**–**	(2,886)
Distribution paid on perpetual debt capital	55(b)	**–**	(93)
Payment for dividends distribution	55(b)	**(50,767)**	(50,018)
Distribution paid on preference shares	55(b)	**(996)**	(996)
Distribution paid on perpetual bonds	55(b)	**(5,311)**	(4,585)
Interest paid on financing activities	55(b)	**(4,678)**	(5,339)
Payment for other financing activities	55(b)	**(36,936)**	(11,775)
Net cash used in financing activities		**(169,938)**	2,149
Net (decrease)/increase in cash and cash equivalents		**(43,401)**	156,313
Cash and cash equivalents as at 1 January		**756,527**	599,019
Effect of foreign exchange rate changes		**(3,304)**	1,195
Cash and cash equivalents as at 31 December	55(a)	**709,822**	756,527
Cash flows from operating activities include:			
Interest received		**259,757**	288,626
Interest paid		**139,784**	142,636

The notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2025

(Expressed in millions of Renminbi unless otherwise stated)

1. Organisation and principal activities

(1) Organisation

China Merchants Bank Co., Ltd. (the "Bank") is a commercial bank established in Shenzhen, the People's Republic of China (the "PRC"). With the approval of the China Securities Regulatory Commission (the "CSRC") of the PRC, the A-Shares of the Bank were listed on Shanghai Stock Exchange on 9 April 2002. On 22 September 2006, the Bank's H-Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKEx").

As at 31 December 2025, apart from the Head Office, the Bank had 51 branches in the mainland China, Hong Kong, New York, Singapore, Luxembourg, London and Sydney. In addition, the Bank has a representative office in Taipei.

(2) Principal activities

The principal activities of the Bank and its subsidiaries (the "Group") are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

2. Basis of preparation of consolidated financial statements

(1) Statement of compliance and basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and its interpretations promulgated by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of measurement

These consolidated financial statements are presented in Renminbi ("RMB") and unless otherwise stated, rounded to the nearest million. RMB is the functional currency of the domestic operations of the Group. The functional currencies of overseas branches and subsidiaries are determined in accordance with the primary economic environment in which they operate, and are translated into RMB for the preparation of these financial statements according to Note 4(15).

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values at the end of each reporting period and the measurement principles as explained below.

2. Basis of preparation of consolidated financial statements *(continued)*

(2) Basis of measurement *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the future periods are discussed in Note 5.

3. Application of new and amendments to IFRS Accounting Standards

Amendments to IFRS Accounting Standards effective in current year applied by the Group

Amendments to IAS 21	Lack of Exchangeability

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial position and performance for the current and prior years or on the disclosures set out in these consolidated financial statements.

3. Application of new and amendments to IFRS Accounting Standards *(continued)*

Standards and amendments to IFRS Accounting Standards that are issued but not yet effective and have not been adopted by the Group

		Effective for annual period beginning on or after
Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 and its amendments	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	the date to be determined
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37	Disclosures about Uncertainties in the Financial Statements	The examples do not have an effective date or transitional provisions

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

The standards and amendments to IFRS Accounting Standards except IFRS 18 mentioned above are not expected to have material impact on the consolidated financial statements in the foreseeable future.

4. Material accounting policy information

The Group establishes its accounting policies and estimates in accordance with the specific characteristics of its business operations, as further elaborated in the relevant notes.

In assessing the materiality of financial information, the Group evaluates both the nature and magnitude of financial statement items within its operational context. For qualitative materiality judgments, it considers whether an item arises from ordinary business activities or significantly impacts the Group's financial position, operating results, or cash flows. For quantitative assessments, the Group examines the item's proportional weight relative to total assets, total liabilities, shareholders' equity, operating revenue, operating costs, or net profit.

(1) Business combination

Financial statements include financial statements of the Bank and its subsidiaries. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. If the intra-group transaction indicates that the relevant assets have impairment losses, the losses shall be recognised in full.

When necessary, adjustments are made by the Group to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity, separately from equity attributable to the equity holders of the Bank. Non-controlling interests in the results of the Group are presented in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the net profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see Note 4(2)) or, an associate (see Note 4(3)).

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities or assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities or assets is determined not to be a business and no further assessment is needed.

4. Material accounting policy information *(continued)*

(1) Business combination *(continued)*

Business combinations or asset acquisitions *(continued)*

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognised in the consolidated statement of profit or loss as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognised at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially recognised at either fair value or the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

(2) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligation for its liabilities.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

When judging whether there is a joint control, the Group usually considers the following cases:

– whether any party within the joint arrangement cannot control the relevant activities of the joint ventures;

– whether the decisions about the joint ventures' relevant activities require the unanimous consent of the parties sharing control.

The consolidated statement of profit or loss includes the Group's share of the results of joint ventures for the year and the consolidated statement of financial position includes the Group's share of the net assets of the joint ventures.

Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the joint ventures' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes post-tax results of the joint ventures for the year, including any impairment loss on goodwill relating to the investment in the joint ventures recognised for the year (see Notes 4(4) and 4(10)).

When the Group's share of losses exceeds its interest in the joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint ventures. For these purposes, the Group's interest in the joint ventures is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the joint ventures.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

4. Material accounting policy information *(continued)*

(2) Joint ventures *(continued)*

When the Group ceases to have joint control over a joint venture and has no significant influence on it, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

(3) Associates

Associate is an entity in which the Group has significant influence, but not control, or joint control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

When judging whether there is any significant influence, the Group usually considers the following cases:

– representation on the Board of Directors or equivalent governing body of the investee;

– participation in policy-making processes;

– material transactions between the entity and its investee.

Investments in associates are accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair value of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associates' net assets. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investments, is recognised immediately in profit or loss in the period in which investment is acquired.

The consolidated statement of profit or loss includes the Group's post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in the associates recognised for the year (see Notes 4(4) and 4(10)).

When the Group's share of losses exceeds its interest in the associates, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates. For these purposes, the Group's interest in the associates is the carrying amount of the investment under equity method together with the Group's interests that in substance form part of the Group's net investment in the associates.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the consolidated statement of profit or loss, previous other comprehensive income would be reclassified to profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 4(5)).

(4) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest based on the fair value of net assets acquired in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment. Goodwill arising on a business combination is allocated to each cash-generating unit ("CGU") or group of CGUs, that is expected to benefit from the synergies of the combination and tested at least annually for impairment (see Note 4(10)).

4. Material accounting policy information *(continued)*

(4) Goodwill *(continued)*

On disposal of a CGU during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(5) Financial instruments

Initial recognition

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

At initial recognition, financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When determining the effective interest rate, the Group estimates the future cash flow on the basis of considering all contract terms of financial assets or financial liabilities, but does not consider the expected credit losses.

Classification and measurement of financial assets

The Group classifies its financial assets into the following measurement categories at initial recognition: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment, which is not held for trading, in other comprehensive income ("OCI").

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at amortised cost

Financial assets measured at amortised cost are subsequently measured with the effective interest method, and the gains or losses arising from amortisation or impairment are recognised in profit or loss. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if debt instruments had been measured at amortised cost. When debt instruments are derecognised, the cumulative gains or losses previously recognised in investment revaluation reserve are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments which are not held for trading as at FVTOCI. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other net income" line item in profit or loss.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Classification and measurement of financial assets *(continued)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes fair value gains or losses, any dividend or interest earned on the financial asset, and is included in "other net income".

Impairment under ECL model

The Group performs impairment assessment under expected credit losses ("ECL") model on financial assets which are subject to impairment under IFRS 9 *Financial Instruments*, including financial assets at amortised cost, debt instrument assets at fair value through other comprehensive income, leases receivable, loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group assesses the ECL of financial assets with forward-looking information. 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. In contrast, lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. Assessment are done based on the factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For the above financial instruments that apply the ECL model, except for the purchased or originated credit-impaired financial assets, an assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by the Group to determine whether to recognise lifetime ECL. When the credit risk of these financial instruments does not increase significantly after the initial recognition, the Group recognises a loss allowance for the financial instrument at an amount equal to 12-month ECL; in the event of a significant increase in credit risk, the Group recognises a loss allowance at an amount equal to lifetime ECL. The Group recognises the loss allowance of receivables that result from transactions that are within the scope of IFRS 15 *Revenue from contracts with customers* at an amount equal to lifetime ECL.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The assessment of whether the credit risk has increased significantly is detailed in Note 60(a).

Credit-impaired financial assets

The Group defines whether there is credit impairment based on the internal evaluation results of the credit risk management system for relevant financial assets. The Group considers that financial assets have been credit impaired when its loan classification is substandard, doubtful or loss or is more than 90 days overdue.

Measurement and recognition of ECL

ECL is measured based on the probability of default, loss given default and the exposure at default. The measurement and recognition of ECL are detailed in Note 60(a).

Generally, ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Impairment under ECL model *(continued)*

Measurement and recognition of ECL (continued)

For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 *Leases*.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected credit losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, ECL is the present value of the difference between the contractual cash flows that are due to the Group:

- if the holder of the loan commitments draws down the loan, and
- the cash flows that the Group expects to receive if the loan is drawn down.

The loss allowance for loan commitments and financial guarantee contracts is recognised in profit or loss and accumulated in provisions. As for debt instruments measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these financial assets. The loss allowance for other financial assets which are subject to impairment under IFRS 9 *Financial Instruments* is recognised in profit or loss through a loss allowance account.

Classification and measurement of financial liabilities

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading (including derivatives belonging to financial liabilities) or (ii) designated as at FVTPL. Except for hedging accounting, financial liabilities measured at FVTPL are subsequently measured at fair value and all changes in fair value are recognised in profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 *Financial Instruments* permits the entire combined contract to be designated as at FVTPL.

Other financial liabilities

Except for financial liabilities at FVTPL, financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or by continued involvement in transferred financial assets, financial guarantee contract and loan commitment, other financial liabilities are classified as financial liabilities at amortised cost, which are subsequently measured at amortised cost and the gains or losses arising from derecognition or amortisation are included in profit or loss.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Hedge accounting

At the inception of a hedging relationship, the Group designates the hedging arrangement and prepares written documentation outlining the hedging relationship, risk management objectives, and risk management strategies. This documentation specifies the hedging instrument, hedged item, nature of the hedged risk, and the Group's methodology for assessing hedge effectiveness. Hedge effectiveness refers to the extent to which changes in the fair value or cash flows of the hedging instrument offset changes in the fair value or cash flows of the hedged item attributable to the hedged risk. The Group are continuously assessed hedging relationships for compliance with hedge effectiveness requirements, both at initial designation and in subsequent periods.

Fair value hedge

The gains or losses on the hedging instrument are recognised in consolidated statement of profit or loss. When the hedging for the risk exposure relates to an non-trading equity instrument designated as at FVTOCI, the gains or losses on the hedging instrument are recognised in other comprehensive income.

The carrying amount of the hedged item not already measured at fair value is adjusted for the gain or loss attributable to the risk being hedged and is taken to consolidated statement of profit or loss. The adjustment to the carrying amount of the hedged item is based on a recalculated effective interest rate at the date that amortisation begins and shall be amortised to consolidated statement of profit or loss if the hedged item is a financial instrument measured at amortised cost. Amortisation begins as soon as an adjustment exists but no later than when the hedged item ceases to be adjusted for hedging gains and losses. If the hedged item is debt instruments measured at FVTOCI, the amounts previously recorded as cumulative adjustments of hedging gains or losses are amortised in similar method and recognised in the consolidated statement of profit or loss. The carrying amount of the hedged item is not adjusted.

Cash flow hedge

The effective portions of changes in the fair value of derivatives that are designated and qualified as cash flow hedge are recognised in other comprehensive income and accumulated separately in hedging reserve. Any gain or loss relating to an ineffective portion is recognised immediately in the consolidated statement of profit or loss.

For cash flow hedge of a recognised asset or liability, the associated cumulative gain or loss is reclassified from hedging reserve to the consolidated statement of profit or loss in the same period during which the hedged cash flows affect profit and loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss at that time remains in hedging reserve until the forecast transaction is ultimately recognised in the consolidated statements of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss is immediately reclassified to the consolidated statement of profit or loss.

Hedge effectiveness testing

The Group has elected to adopt the general hedge accounting in IFRS 9 *Financial Instruments*. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Hedge accounting *(continued)*

Hedge effectiveness testing (continued)

If the hedging instrument has expired, been sold, terminated, or exercised (provided that a rollover or replacement that forms part of the hedging strategy is not treated as expiration or termination), or if changes in risk management objectives result in the hedging relationship no longer meeting the risk management objectives, or if the hedge no longer satisfies other criteria for hedge accounting, the Group discontinues the application of hedge accounting.

Specific items

Cash equivalents

Cash equivalents comprise investments that are short term, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value, and unrestricted balances with the central banks, banks and other financial institutions, and amounts held under resale agreements, with original maturity of 3 months or less.

Balances and placements with banks and other financial institutions

Banks refer to those institutions approved by the People's Bank of China ("PBOC") and other authorities. Other financial institutions represent finance companies, insurance companies, investment trust companies and leasing companies which are registered with the National Financial Regulatory Administration ("NFRA") and under the supervision of the NFRA and securities firms and investment fund companies which are registered with and under the supervision of other regulatory authorities. Balances and placements with banks and other financial institutions are measured at amortised cost.

Resale and repurchase agreements

Amounts for purchase of financial assets under resale agreements are accounted for under "amounts held under resale agreements". Amounts from sale of financial assets under repurchase agreements are accounted for under "amounts sold under repurchase agreements".

The difference between the purchase and resale consideration or sale and repurchase consideration is amortised over the period of the transaction using the effective interest method and is included in interest income or expense (as appropriate).

Financial investments

Equity investments are accounted for as financial assets at fair value through profit or loss or equity investments designated at fair value through other comprehensive income. Debt investments are classified as financial assets at fair value through profit or loss, debt investments at amortised cost, debt investments at fair value through other comprehensive income in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

Loans and advances to customers

Loans and advances directly granted by the Group to customers and finance leases receivables are accounted for as loans and advances to customers.

Loans and advances to customers are classified as loans and advances to customers at fair value through profit or loss (loans and advances to customers at FVTPL), loans and advances to customers at amortised cost, loans and advances to customers at fair value through other comprehensive income (loans and advances to customers at FVTOCI) in accordance with the entity's business model, contractual cash flow characteristics and the fair value option.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Specific items *(continued)*

Derivative financial instruments

The Group's derivative financial instruments mainly include forward, foreign currency swaps, interest rate swaps and option contracts undertaken in response to customers' needs or for the Group's own risk management purposes. The Group enters into derivative contracts with other banks and financial institutions that can conduct such business to hedge against risks arising from derivative transactions undertaken for customers.

Derivative financial instruments are stated at fair value. Except for the gains or losses arising from the effective hedging portion of those derivatives in cash flow hedge and the gains or losses on the hedging instrument that hedges an non-trading equity instrument designated as at FVTOCI are recognised in other comprehensive income, all other gains or losses are recognised in the consolidated statement of profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 *Financial Instruments* are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate. Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 *Financial Instruments* are treated as separate derivatives with the same terms when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the hybrid contracts are not measured at FVTPL. Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow hedging relationship.

Equity instruments

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Group for repurchasing self-issued equity instruments are deducted from shareholders' equity.

A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met:

(i) the financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and

(ii) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

At initial recognition, the Group classifies the perpetual bonds and perpetual debt capitals issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

For perpetual bonds and perpetual debt capitals issued that classified as equity instruments, any distribution of interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds and perpetual debt capitals are redeemed, the redeemed amount is charged to equity. Relevant transaction expenses are deducted from equity.

At initial recognition of preference shares, the Group classifies the preference shares issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

When the Group classifies preference shares issued as an equity instrument, fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Derecognition of financial instruments

(a) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset; or
- has retained its rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either the Group has transferred substantially all the risks and rewards of ownership of the financial asset; or the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has retained its rights to receive cash flows from the asset but has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset and liability are recognised to the extent of the Group's continuing involvement in the asset.

When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continuing involvement at the time of transfer is the lower of (i) the amount of the asset and (ii) the guarantee amount (the maximum amount that the Group could be required to repay in the consideration received). When the Group continues to recognise an asset to the extent of its continuing involvement, the Group also recognises an relevant liability as the sum of the guarantee amount and the fair value of the guarantee contract (usually the consideration received for the provision of security).

When the Group has completed all necessary legal or other procedures and the financial assets measured at amortized cost remain irrecoverable, the Group will decide to write off such financial assets and reverse the corresponding allowance for credit losses. The write-off constitutes derecognition of the financial assets measured at amortized cost. If the Group subsequently recovers any written-off financial assets measured at amortized cost, the recovered amount shall reduce the impairment loss and be recognized in profit or loss for the current period.

(b) Securitisation

As part of its operational activities, the Group securitises credit assets, generally through the sale of these assets to structured entities which issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or junior tranches, or other residual interests (retained interests).

When applying the accounting policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on the transferred financial assets and the degree of control exercised by the Group over the transferred financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;
- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and
- when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it shall continue to recognise the financial assets to the extent of its continuing involvement in the financial assets.

4. Material accounting policy information *(continued)*

(5) Financial instruments *(continued)*

Derecognition of financial instruments *(continued)*

(b) Securitisation (continued)

When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration collected are recorded as a financial liability.

When the securitisation results in derecognition or partial derecognition of financial assets, the Group allocates the carrying amount of the transferred financial assets between the financial assets derecognised and the retained interests based on their relative fair values at the date of transfer. Gains or losses on securitisation, which is the difference between the consideration received and the allocated carrying amount of the financial assets derecognised, are recorded in "other net income". The retained interests continue to be recognised on the same basis before the securitisation.

(c) Sales of assets on condition of repurchase

Derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

(d) Financial liabilities

A financial liability (or part of it) is derecognised when the obligation under the liability (or part of it) is discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

4. Material accounting policy information *(continued)*

(6) Property, equipment, investment property and depreciation

Property, equipment and investment property, are stated at cost or deemed cost less accumulated depreciations and accumulated impairment losses. When the Group cannot separately measure the fair value of its leasehold interests in land and the associated buildings not held under operating leases as of the lease commencement date, such land and buildings shall be classified as fixed assets or investment properties.

Depreciation is calculated to write off the cost of property, equipment and investment property over the following estimated useful lives, after taking into account an estimated residual value on a straight-line basis:

Land and buildings	20 years
Investment properties	20 years
Computer equipment	3 years
Leasehold improvements (leased property)	3 years
Capitalized improvements (self-owned property)	the estimated useful lives
Aircraft, vessels and professional equipment	no more than 25 years
Other	3 – 5 years

Construction in progress represents property under construction and is stated at cost less impairment losses. Cost comprises the direct and indirect cost of construction. Construction in progress is transferred to an appropriate class of property or other asset when the asset is ready for its intended use. No depreciation is provided for construction in progress.

Subsequent expenditure relating to a property, equipment and investment property is capitalised only when it is probable that future economic benefits associated with the property and equipment will flow to the Group. All other expenditure are recognised in the consolidated statement of profit or loss as an expense or included in the relevant asset's cost according to the benefit recipient as incurred.

Profits or losses on disposal of property, equipment and investment property are determined as the difference between the net disposal proceeds and the carrying amount of the property, equipment and investment property, and are accounted for in the consolidated statement of profit or loss as they arise.

(7) Repossessed assets

Repossessed assets (non-financial instruments) are initially recognized at fair value of the debt relinquished and presented under the "Other Assets" category. At the end of the reporting period, repossessed assets (non-financial instruments) are measured at the lower of carrying amount and recoverable amount. When the recoverable amount is lower than the carrying amount, an impairment provision is recognized for repossessed assets (non-financial instruments), which is recorded in the "Impairment losses on other assets" line item of the income statement.

Repossessed assets (financial instruments) are detailed in Note 4(5).

(8) Intangible assets

Intangible assets are stated at cost less accumulated amortisation (only intangible assets with finite useful lives) and accumulated impairment losses (see Note 4(10)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. The Group does not have intangible assets with useful lives assessed to be indefinite as at the end of the reporting period.

The amortisation period of intangible assets is as follows:

Software and Other	Core deposit
2 – 20 years	28 years

Both the periods and method of amortisation are reviewed annually.

4. Material accounting policy information *(continued)*

(9) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

(a) Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) Short-term leases and leases of low-value assets

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (lease term of 12 months or less and do not contain a purchase option) and leases of low value assets (the value of assets is equivalent to below RMB35,000).

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(c) Right-of-use assets

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The right-of-use asset is initially measured at cost. This cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee; and
- whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

After the commencement date, the right-of-use assets are measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The Group recognises the depreciation of right-of-use assets as an operating expense on a straight-line basis. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers the ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Accounting policy for any identified right-of-use asset impairment loss are disclosed in Note 4(10).

(d) Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

4. Material accounting policy information *(continued)*

(9) Leases *(continued)*

As a lessee *(continued)*

(e) Lease liabilities

Lease liability is presented as a separate line in the consolidated statement of financial position.

Except for short-term leases and leases of low-value asset, lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date using lessee's incremental borrowing rate as the discount rate.

Lease payments refer to the payment made by the lessee to the lessor in connection with the right to use the leased assets during the lease term. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- the amount expected to be payable by the lessee under remaining value guarantees.

After the beginning date of the lease term, the Group calculates the interest expense of the lease liability in each period of the lease term at a fixed periodic interest rate, and recognised it in the current profit and loss or related asset costs.

After the commencement date, the Group remeasures the lease liability according to the present value calculated by the revised lease payment amount and the revised discount rate and makes a corresponding adjustment to the related right-of-use asset whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed remaining value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate. But if the change in lease payments results from a change in floating interest rates, the lessee shall use a revised discount rate that reflects changes in the interest rate.

As a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. When the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Where the Group is a lessor under finance leases, an amount representing the net investment in the lease is included in the consolidated statement of financial position as "loans and advances to customers". Unrecognised finance income under finance leases are amortised using the effective interest method over the lease term. Accounting policy for impairment losses are disclosed in Note 4(5).

When the Group is a lessor of an operating lease, income derived from operating lease is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Contingent lease income is charged to profit or loss in the accounting period in which it is incurred.

When a contract includes lease and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

4. Material accounting policy information *(continued)*

(9) Leases *(continued)*

As a buyer-lessor in a sale and leaseback transactions

For a transfer of asset that does not meet the requirements of IFRS 15 *Revenue from Contracts with Customers* to account for a sale of asset, the Group acting as a buyer-lessor does not recognise the transferred asset and recognises loan and advance to customers at an amount that equals the transfer proceed within the scope of IFRS 9 *Financial Instruments*.

(10) Impairment on tangible and intangible assets other than impairment under ECL model

The carrying amount of tangible and intangible assets including property and equipment, right-of-use assets, intangible assets, investment properties, interests in joint ventures, interests in associates, goodwill and other non-current assets are reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of impairment loss is recognised in the consolidated statement of profit or loss. The recoverable amount of an asset is the greater of its fair value less disposal expense and present value of future expected cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values.

Internal and external sources of information are reviewed at the end of the reporting period to identify any indications that other assets may be impaired.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated by the Group at the end of the reporting period whether or not there is any indication of impairment.

– **Calculation of recoverable amount**

The recoverable amount of an asset or a CGU is the greater of its fair value less disposal expense and the present value of future cash flows. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– **Impairment losses recognised**

An impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

(11) Precious metals

Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's trading activities are initially recognised at fair value, with changes in fair value arising from remeasurement recognised directly in the consolidated statement of profit or loss in the period in which they arise.

4. Material accounting policy information *(continued)*

(12) Financial guarantee issued, provisions and contingent liabilities

Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The provision of financial guarantees issued is recognised in the consolidated statement of financial position in accordance with accounting policy set out in Note 4(5).

Provisions and contingent liabilities

Except for contingent consideration and contingent liabilities assumed in business combinations not under the same control, Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is highly probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. The Group reviews the carrying amount of provisions at each balance sheet date and adjusts them as appropriate to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(13) Income recognition

Revenue is the inflow of economic benefits that the Group has formed in its daily activities that will result in an increase in shareholders' equity and have nothing to do with the capital invested by shareholders.

Net interest income

Interest income and expense for all financial instruments except for those classified as at FVTPL are recognised in "Interest income" and "Interest expense" in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period, which is recognised in "Other net income".

Dividend income

Dividend income from investments is recognised when the dividend is declared and approved by the investee.

Rental income

Income derived from operating leases is recognised in the consolidated statement of profit or loss using the straight-line method over the lease term.

4. Material accounting policy information *(continued)*

(13) Income recognition *(continued)*

Fee and commission income

Under IFRS 15 *Revenue from Contracts with Customers*, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For each performance obligation identified, the Group determines at contract inception whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time. Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time.

If the revenue is recognised over time, the Group recognises revenue in accordance with the progress towards complete satisfaction of a performance obligation. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts the Group's performance in transferring control of goods or services.

4. Material accounting policy information *(continued)*

(13) Income recognition *(continued)*

Fee and commission income *(continued)*

If revenue is recognised at a point in time, the Group recognises the revenue when the customer obtains control of the distinct good or service. To determine the point in time at which a customer obtains control of a promised service, the following indicators of the transfer of control should also be considered. They include, but are not limited to:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods;
- the customer has the significant risks and rewards of ownership of the goods;
- the customer has accepted the goods or services.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it can control the goods or service before transferring it to customers. The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or service by another party. In this case, the Group does not control the specified goods or service provided by another party before that goods or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(14) Taxation

Current income tax and movements in deferred tax balances are recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets also arise from unused tax losses and unused tax credits. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates of expected returns of the assets or the repayment of the liabilities. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

4. Material accounting policy information *(continued)*

(14) Taxation *(continued)*

The Group shall recognise a deferred tax asset for all deductible temporary differences associated with investments in subsidiaries and interests in associates and joint ventures that both of the following conditions are satisfied: the temporary differences are likely to be reversed in the foreseeable future; and it is probably to obtain the taxable income used to offset the deductible temporary difference in the future. The Group shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where both of the following conditions are satisfied: the investor is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(15) Foreign currencies translations

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into as part of the effective portion of a hedge on certain foreign currency risks; or
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in exchange reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation, all of the exchange differences accumulated in exchange reserve in respect of that operation attributable to the owners of the Bank are reclassified to the consolidated statement of profit or loss.

4. Material accounting policy information *(continued)*

(16) Employee benefits

Salaries and staff welfare

Salaries, bonuses and other benefits are accrued in the period in which the associated services are rendered by employees.

Post-employment benefits

The Group participates in a number of defined contribution retirement benefit schemes managed by different provincial governments or independent insurance companies. Obligation for contributions to these schemes are jointly borne by the Group and the staff, and contributions paid by the Group are recognised as an expense in the consolidated statement of profit or loss as incurred.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in the consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

4. Material accounting policy information *(continued)*

(17) Related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly, indirectly or jointly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to control, common control or common significant influence by the same third party (except that the Group and the party are subject to common significant influence by the same third party of the other party). Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(18) Segmental reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they meet most of these criteria.

(19) Fiduciary activities

The Group acts in a fiduciary capacity in entrusted loan and entrusted investment business. Assets held by the Group and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with the customers. The Group only charges a relevant commission.

(20) Dividends or profit distributions

Dividends or profit distributions are recognised as a liability in the year in which they are approved and declared.

(21) General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. The balance of general reserve includes 1.5% of the ending balance of risk assets, country risk provisions allocated as required by regulations for country risk exposures with medium, high, and very high country risk ratings and 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

5. Significant accounting estimates and judgements

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on the assets and liabilities at the end of the reporting period. These estimates involve assumptions about cash flows and the discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to the assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

(1) Control over structured entity

When acting as an asset manager or investor in structured entities, the Group needs to make significant judgment in determining whether it controls those structured entities and consequently consolidates them. The Group evaluates the contractual rights and obligations under the transaction structure, analyses and tests the variable returns of the structured entities, and assesses whether it has the ability to use its power to influence those variable returns. Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it is the principal or an agent to assess whether the Group controls the structured entities and should consolidate them. When performing this assessment, the Group considers several factors including, among others, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from interests that it holds in the structured entities.

(2) Classification of financial assets

Classification and measurement of financial assets of the Group involves significant judgement on business model. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. Specific considerations include how the performance of the assets is evaluated and measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

(3) Derecognition of financial assets transferred

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitisation, financial assets sold under repurchase agreements. The Group applies significant judgement and estimate in assessing whether it has transferred these financial assets and qualified for a full derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities and the Group needs to consolidate them. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties;
- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgement and estimate is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of the Group's assessment on the extent that risks and rewards are transferred.

5. Significant accounting estimates and judgements *(continued)*

(4) Impairment under ECL model

- Significant increase in credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 60(a)(ii) for more details.
- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 60(a)(v) for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets.
- Models and assumptions used: The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 60(a)(iii) for more details.
- Forward-looking information: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 60(a)(iv) for more details.
- Probability of Default ("PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to Note 60(a) (iii) for more details.
- Loss Given Default ("LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Refer to Note 60(a)(iii) for more details.

(5) Fair value of financial instruments

For a number of financial instruments, no quoted prices in an active market exist. The fair value for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of similar instruments, discounted cash flow analysis or option pricing models. The Group has established a process to ensure that valuation techniques are constructed by qualified personnel and are validated and reviewed by personnel independent of the business unit that constructed the valuation techniques. Valuation techniques are certified before being implemented for valuation and are calibrated to ensure that outputs reflect actual market conditions. Valuation models established by the Group make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk and risk correlations, require management estimates. Management estimates and assumptions are reviewed periodically and adjusted if necessary. If the fair value is measured using third party information such as broker quotes or pricing services, the valuation team will evaluate the evidence obtained from third party to support the conclusion that the relevant valuation meets the requirements of IFRS Accounting Standards, including the category of the relevant valuation at the appropriate level in the fair value hierarchy.

(6) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reviewed periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

5. Significant accounting estimates and judgements *(continued)*

(7) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the recoverable amount of the CGU or group of CGUs to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from CGU or group of CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

6. Interest income

	2025	2024
Loans and advances to customers	**233,547**	260,573
– Corporate loans and advances	**85,688**	93,282
– Retail loans and advances	**144,315**	161,740
– Discounted bills	**3,544**	5,551
Balances with central banks	**8,864**	9,698
Balances with banks and other financial institutions	**2,648**	2,768
Placements with banks and other financial institutions	**12,184**	12,433
Amounts held under resale agreements	**2,631**	3,875
Financial investments	**91,477**	84,924
– Debt investments at FVTOCI	**33,178**	28,699
– Debt investments at amortised cost	**58,299**	56,225
Total	**351,351**	374,271

Note: For the year ended 31 December 2025, included in the above is the interest income of RMB7,719 million from loans and advances to customers at fair value through other comprehensive income (2024: RMB8,868 million).

7. Interest expense

	2025	2024
Deposits from customers	**107,869**	130,824
Borrowing from central banks	**2,505**	4,428
Deposits from banks and other financial institutions	**9,102**	8,277
Placements from banks and other financial institutions and others	**8,378**	9,251
Amounts sold under repurchase agreements	**2,521**	2,558
Debt securities issued	**5,383**	7,656
Total	**135,758**	162,994

8. Fee and commission income

	2025	2024
Fees and commissions from wealth management	**26,711**	22,005
Fees and commissions from asset management	**11,927**	10,751
Bank cards fees	**13,643**	16,761
Settlement and clearing fees	**15,465**	15,505
Commissions from credit commitment and lending business	**3,961**	4,219
Commissions from custody business	**5,375**	4,891
Other	**7,183**	6,908
Total	**84,265**	81,040

9. Other net income

	2025	2024
Net gains/(losses) from fair value change	**(8,160)**	6,085
– financial instruments at fair value through profit or loss	**(9,561)**	6,498
– derivatives instruments	**139**	(357)
– precious metals	**1,262**	(56)
Net investment income	**31,364**	27,248
– financial instruments at FVTPL	**19,146**	14,723
– gain on disposal of financial assets at amortised cost	**1,607**	4,045
– gain on disposal of debt instruments at FVTOCI	**9,271**	7,295
– of which: gain on disposal of bills	**711**	1,224
– dividend income from equity investments designated at FVTOCI	**1,100**	947
– other	**240**	238
Foreign exchange gain	**3,228**	4,026
Other income	**13,320**	12,709
– income on operating leases	**13,320**	12,709
Other	**1,197**	1,050
Total	**40,949**	51,118

10. Operating expenses

	2025	2024
Staff costs	**68,689**	68,088
– Salaries and bonuses	**52,680**	52,627
– Social insurance and corporate supplemental insurance	**10,138**	8,013
– Other	**5,871**	7,448
Tax and surcharges	**3,097**	2,950
Depreciation of property and equipment and investment properties	**11,613**	11,454
Amortisation of intangible assets	**441**	680
Depreciation of right-of-use assets	**3,928**	4,107
Short-term leases expense and leases of low-value assets expense	**179**	183
Other general and administrative expenses (note)	**30,558**	30,188
Total	**118,505**	117,650

Note: Auditors' remuneration amounting to RMB28 million for the year ended 31 December 2025 (2024: RMB27 million) is included in other general and administrative expenses.

11. Directors' and supervisors' emoluments

The emoluments of the Directors and Supervisors during the year were as follows:

	2025				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Wang Liang	–	2,971	–	–	2,971
Zhong Desheng	–	2,826	–	–	2,826
Subtotal	–	5,797	–	–	5,797
The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group.					
Non-executive directors					
Miao Jianmin	–	–	–	–	–
Shi Dai	–	–	–	–	–
Deng Renjie (ii)	–	–	–	–	–
Jiang Chaoyang (ii)	–	–	–	–	–
Zhu Eric Liwei (iii)	–	–	–	–	–
Huang Jian (iv)	–	–	–	–	–
Ma Xianghui (ii)	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
Independent non-executive directors					
Tian Hongqi	485	–	–	–	485
Li Chaoxian	485	–	–	–	485
Shi Yongdong	485	–	–	–	485
Li Jian	485	–	–	–	485
Wong Yuk Shan (ii)	2	–	–	–	2
Lu Liping (ii)	1	–	–	–	1
Subtotal	1,943	–	–	–	1,943
The independent non-executive directors' emoluments shown above were for their services as directors of the Bank.					
Former executive, non-executive directors and supervisors					
Sun Yunfei (v)	–	–	–	–	–
Zhang Jian (vi)	–	–	–	–	–
Chen Dong (iv)	–	–	–	–	–
Zhu Jiangtao (vii)	–	1,167	–	–	1,167
Li Menggang (v)	483	–	–	–	483
Liu Qiao (v)	484	–	–	–	484
Luo Sheng (viii)	–	–	–	–	–
Li Jinming (ix)	–	–	–	–	–
Wu Heng (ix)	–	–	–	–	–
Xu Zhengjun (x)	194	–	–	–	194
Cai Hongping (ix)	385	–	–	–	385
Zhang Xiang (ix)	385	–	–	–	385
Cai Jin (x)	–	757	–	–	757
Cao Jian (ix)	–	1,808	–	–	1,808
Yang Sheng (ix)	–	1,813	–	–	1,813
Subtotal	1,931	5,545	–	–	7,476
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	3,874	11,342	–	–	15,216

11. Directors' and supervisors' emoluments *(continued)*

The emoluments of the Directors and Supervisors during the year were as follows: *(continued)*

Notes:

(i) The aggregate pre-tax remuneration of full-time Executive Directors and senior management of the Company is still being verified. The remaining part will be disclosed separately upon the completion of confirmation and payment.

(ii) In June 2025, according to the resolutions passed at the 2024 Annual General Meeting of the Company, Mr. Deng Renjie, Mr. Jiang Chaoyang and Mr. Ma Xianghui were elected as the Non-Executive Directors of the Company, and their qualifications as the Directors were approved by the National Financial Regulatory Administration (NFRA) in October 2025, October 2025 and December 2025, respectively. Mr. Wong Yuk Shan and Mr. Lu Liping were elected as the Independent Non-Executive Directors of the Company, and their qualifications as the Independent Directors were approved by the NFRA in December 2025.

(iii) In January 2025, the qualification of Mr. Zhu Eric Liwei as the Director was approved by the NFRA.

(iv) In March 2025, the qualification of Mr. Huang Jian as the Director was approved by the NFRA, and Mr. Chen Dong ceased to be the Non-Executive Director of the Company due to the change of work arrangement.

(v) In December 2025, Mr. Sun Yunfei ceased to be the Non-Executive Director of the Company due to his age, and Mr. Li Menggang and Mr. Liu Qiao ceased to be the Independent Non-Executive Directors of the Company due to the expiry of their term of office.

(vi) In February 2025, Mr. Zhang Jian ceased to be the Non-Executive Director of the Company due to the change of work arrangement.

(vii) In May 2025, Mr. Zhu Jiangtao ceased to be the Executive Director of the Company due to the work arrangement.

(viii) In March 2025, Mr. Luo Sheng ceased to be the Shareholder Supervisor of the Company due to personal work arrangement.

(ix) In December 2025, the Articles of Association of China Merchants Bank Co., Ltd. (2025 Revision) were approved by the National Financial Regulatory Administration and came into effect. In accordance with the Company's Articles of Association, the Company shall cease to have the Board of Supervisors, and Mr. Li Jinming, Mr. Wu Heng, Mr. Cai Hongping, Mr. Zhang Xiang, Mr. Cao Jian and Mr. Yang Sheng ceased to be the Supervisors of the Company.

(x) In June 2025, Mr. Xu Zhengjun ceased to be the External Supervisor of the Company due to the expiry of his term of office. Ms. Cai Jin ceased to be the Employee Supervisor of the Company due to her age.

11. Directors' and supervisors' emoluments *(continued)*

The emoluments of the Directors and Supervisors during the year were as follows: *(continued)*

	2024				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Wang Liang	–	2,962	–	–	2,962
Zhong Desheng (i)	–	2,790	–	–	2,790
Zhu Jiangtao	–	2,793	–	–	2,793
Subtotal	–	8,545	–	–	8,545
The executive director's emoluments shown above were for their services in connection with the management of the affairs of the Bank and the Group.					
Non-executive directors					
Miao Jianmin	–	–	–	–	–
Shi Dai (i)	–	–	–	–	–
Sun Yunfei	–	–	–	–	–
Zhang Jian (ii)	–	–	–	–	–
Chen Dong (iii)	–	–	–	–	–
Zhu Eric Liwei (i)	–	–	–	–	–
Huang Jian (iv)	–	–	–	–	–
Subtotal	–	–	–	–	–
The non-executive directors shown above did not receive remuneration from the Bank.					
Independent non-executive directors and supervisors					
Li Menggang	500	–	–	–	500
Liu Qiao	500	–	–	–	500
Tian Hongqi	500	–	–	–	500
Li Chaoxian	500	–	–	–	500
Shi Yongdong	500	–	–	–	500
Li Jian (i)	74	–	–	–	74
Li Jinming (v)	–	–	–	–	–
Wu Heng	–	–	–	–	–
Luo Sheng (vi)	–	–	–	–	–
Xu Zhengjun	400	–	–	–	400
Cai Hongping	400	–	–	–	400
Zhang Xiang	400	–	–	–	400
Cai Jin	–	1,433	–	–	1,433
Cao Jian	–	1,788	–	–	1,788
Yang Sheng	–	1,900	–	–	1,900
Subtotal	3,774	5,121	–	–	8,895
The independent non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Former executive, non-executive directors and supervisors					
Hu Jianhua (vii)	–	–	–	–	–
Zhou Song (viii)	–	–	–	–	–
Hong Xiaoyuan (vii)	–	–	–	–	–
Wong See Hong (ix)	426	–	–	–	426
Peng Bihong (x)	–	–	–	–	–
Subtotal	426	–	–	–	426
The former executive, non-executive directors' and supervisors' emoluments shown above were for their services as directors or supervisors of the Bank.					
Total	4,200	13,666	–	–	17,866

11. Directors' and supervisors' emoluments *(continued)*

The emoluments of the Directors and Supervisors during the year were as follows: *(continued)*

Notes:

(i) In June 2024, according to the resolutions passed at the 2023 Annual General Meeting of the Company, Ms. Li Jian was elected as an Independent Non-Executive Director of the Company, whose qualification as the Independent Director was approved by the National Financial Regulatory Administration (NFRA) in November 2024; Ms. Shi Dai and Mr. Zhu Eric Liwei were elected as the Non-Executive Directors of the Company, and the qualifications of Ms. Shi Dai and Mr. Zhu Eric Liwei as the Directors were approved by the NFRA in August 2024 and January 2025; Mr. Zhong Desheng was elected as an Executive Director of the Company, and his qualification as the Director was approved by the NFRA in December 2024, the emolument of Mr. Zhong Desheng shown above included the portion for his services before his qualification as the Director was approved by the NFRA during the year.

(ii) In February 2025, Mr. Zhang Jian ceased to be the Non-Executive Director of the Company due to the change of work arrangement.

(iii) In March 2025, Mr. Chen Dong ceased to be the Non-Executive Director of the Company due to the change of work arrangement.

(iv) In March 2025, the qualification of Mr. Huang Jian as the Director was approved by the NFRA.

(v) In June 2024, according to the relevant resolution passed at the 2023 Annual General Meeting of the Company, Mr. Li Jinming was elected as the Shareholder Supervisor of the Company.

(vi) In March 2025, Mr. Luo Sheng ceased to be the Shareholder Supervisor of the Company due to personal work arrangement.

(vii) In January 2024, Mr. Hu Jianhua and Mr. Hong Xiaoyuan ceased to be Non-Executive Directors of the Company due to their ages.

(viii) In July 2024, Mr. Zhou Song ceased to be the Non-Executive Director of the Company due to the change of work arrangement.

(ix) In November 2024, Mr. Wong See Hong ceased to be the Independent Non-Executive Director of the Company due to expiry of his term of office.

(x) In January 2024, Mr. Peng Bihong ceased to be the Shareholder Supervisor of the Company due to the change of work arrangement.

During the years of 2025 and 2024, no emoluments were paid by the Group to any of the persons who are directors or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the years of 2025 and 2024, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration.

12. Five highest paid individuals

During the year ended 31 December 2025, the five (2024: five) highest paid individuals included five persons in total. Of these highest paid individuals, two (2024: three) were directors of the Bank whose emoluments were included in Note 11 above. The aggregate emolument of the remaining three (2024: two) highest paid individuals who were not directors of the Bank is as follows:

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	**8,499**	5,584
Discretionary bonuses	**–**	–
Contributions to defined contribution retirement schemes	**–**	–
Total	**8,499**	5,584

These highest paid individuals who were neither directors nor supervisors of the Bank whose emoluments fell within the following bands is set out below:

	2025	2024
HKD		
2,500,001 – 3,000,000	**–**	2
3,000,001 – 3,500,000	**3**	–
3,500,001 – 4,000,000	**–**	–
4,000,001 – 4,500,000	**–**	–
4,500,001 – 5,000,000	**–**	–

During the years of 2025 and 2024, no emoluments were paid by the Group to any of the persons who are five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Loans to directors, supervisors and executive officers

Loans to directors, supervisors and executive officers of the Group are as follows:

	2025	2024
Aggregate amount of relevant loans made by the Group outstanding at year end	**30**	25
Maximum aggregate amount of relevant loans made by the Group outstanding during the year	**33**	33

14. Expected credit losses

	2025	2024
Loans and advances to customers	**42,582**	43,608
– Loans and advances at amortised cost (Note 22(c)(i))	**43,268**	41,400
– Loans and advances at FVTOCI (Note 22(c)(ii))	**(686)**	2,208
Amounts due from banks and other financial institutions	**(377)**	1,371
Financial investments	**(2,889)**	(2,400)
– Debt investments at amortised cost (Note 23(b)(iii))	**(2,181)**	(4,130)
– Debt investments at FVTOCI (Note 23(c)(ii))	**(708)**	1,730
Financial guarantees and loan commitments	**299**	(2,703)
Other	**(29)**	100
Total	**39,586**	39,976

15. Income tax

(a) Income tax in the consolidated statement of profit or loss represents:

	2025	2024
Current income tax expense	**29,640**	28,929
– Mainland China	**27,480**	27,174
– Hong Kong	**1,825**	1,511
– Overseas	**335**	244
Deferred taxation	**(1,773)**	164
Total	**27,867**	29,093

(b) A reconciliation of income tax expense in the consolidated statement of profit or loss and that calculated at the applicable statutory tax rate is as follows:

	2025	2024
Profit before taxation	**178,993**	178,652
Tax at the PRC statutory income tax rate of 25% (2024: 25%)	**44,748**	44,663
Tax effects of the following items:	**(16,881)**	(15,570)
– Effects of tax reduction and exemption policies	**(22,085)**	(18,505)
– Effects of costs, expenses and losses not deductible for tax purpose	**7,116**	4,283
– Effects of different applicable rates in other jurisdictions (note (i))	**(696)**	(300)
– Tax effect of perpetual bond/perpetual debt capital interest expense	**(1,328)**	(1,170)
– Other	**112**	122
Income tax expense	**27,867**	29,093

Note:

(i) Taxation for Hong Kong and overseas operations are charged at the applicable rates of tax prevailing in relevant regions.

(ii) The Group is within the scope of the Pillar Two rules. As at 31 December 2025, Pillar Two legislation has become effective in some of the countries and regions where the Group has operations. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 Income Taxes. As at 31 December 2025, the top-up tax has no significant impact on the Group's financial statements.

16. Other comprehensive income

(a) Income tax effects relating to each component of other comprehensive income

	2025			2024		
	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount	Before-tax amount	Tax benefit/ (expense)	Net-of-tax amount
Items that may be reclassified subsequently to profit or loss	(25,695)	5,012	(20,683)	30,256	(6,486)	23,770
– Net fair value gain/(loss) on debt instruments measured at FVTOCI	(17,902)	4,651	(13,251)	21,913	(5,490)	16,423
– Net changes in expected credit losses of debt instruments measured at FVTOCI	(1,433)	361	(1,072)	4,004	(1,004)	3,000
– Net movement in cash flow hedge reserve	(41)	–	(41)	(44)	8	(36)
– Share of other comprehensive income from equity-accounted investees	(3,144)	–	(3,144)	2,452	–	2,452
– Exchange difference on translation of financial statements of foreign operations	(3,175)	–	(3,175)	1,931	–	1,931
Items that will not be reclassified to profit or loss	2,766	(154)	2,612	3,125	(202)	2,923
– Net fair value gain on equity instruments designated at FVTOCI	2,755	(152)	2,603	3,101	(198)	2,903
– Remeasurement of defined benefit scheme	11	(2)	9	24	(4)	20
Other comprehensive income	(22,929)	4,858	(18,071)	33,381	(6,688)	26,693

(b) Movements relating to components of other comprehensive income are as follows:

	2025	2024
Net fair value gain/(loss) on debt instruments measured at FVTOCI		
Changes in fair value recognised during the year	(6,298)	21,894
Reclassification adjustments for amounts transferred to profit or loss upon disposal	(6,953)	(5,471)
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	(13,251)	16,423
Net changes in expected credit losses of debt instruments measured at FVTOCI		
Changes in expected credit losses recognised during the year	(1,072)	3,000
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	(1,072)	3,000
Net fair value gain on equity instruments designated at FVTOCI		
Changes in fair value recognised during the year	2,603	2,903
Net movement in investment revaluation reserve during the year recognised in other comprehensive income	2,603	2,903
Net movement in cash flow hedge reserve		
Effective portion of changes in fair value of hedging instruments	(43)	(33)
Reclassification adjustment for realised gain to profit or loss	2	(3)
Net movement in hedging reserve during the year recognised in other comprehensive income	(41)	(36)

17. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders of the Bank and the weighted average number of shares in issue for the year.

	2025	2024
Net profit attributable to equity holders of the Bank	**150,181**	148,391
Less: Net profit attributable to preference shareholders of the Bank	**(996)**	(996)
Net profit attributable to holders of perpetual bonds	**(5,311)**	(4,585)
Net profit attributable to ordinary shareholders of the Bank	**143,874**	142,810
Weighted average number of shares in issue (in million shares)	**25,220**	25,220
Basic and diluted earnings per share (in RMB Yuan)	**5.70**	5.66

Note:

The Bank issued non-cumulative preference shares in 2017 and non-cumulative perpetual bonds in 2020, 2021, 2023, 2024 and 2025. For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares and interests on non-cumulative perpetual bonds declared during the year have been deducted from the amounts attributable to equity holders of the Bank.

The conversion feature of preference shares is considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur as of 31 December 2025 and 2024. Therefore the conversion feature of preference shares has no effect on the diluted earnings per share calculation for both years.

The non-cumulative perpetual bonds issued by the Bank do not contain equity conversion clauses.

18. Balances with central banks

	2025	2024
Statutory deposit reserve (note (i))	**502,368**	507,018
Surplus deposit reserve (note (ii))	**49,783**	30,335
Other deposits with central banks (note (iii))	**7,816**	19,813
Accrued interest	**240**	277
Total	**560,207**	557,443

Notes:

(i) Statutory deposit reserve funds are deposited with The PBOC and other central banks outside the Chinese mainland as required and are not available for the Group's daily operations. The statutory deposit reserve funds of the Bank's institutions located in the mainland China are calculated at 5.5% and 4% of eligible RMB deposits and foreign currency deposits respectively as at 31 December 2025 (31 December 2024: 6% and 4% of eligible RMB deposits and foreign currency deposits respectively). Eligible deposits include deposits from government authorities and other organisations, retail deposits, corporate deposits, and net credit balances of entrusted business and RMB deposits placed by financial institutions outside the mainland China. The amounts of statutory deposit reserves placed with the central banks of overseas countries are determined by local jurisdictions.

(ii) Surplus deposit reserve maintained with the PBOC and central banks outside the mainland China are mainly for clearing and settlement purposes.

(iii) Other deposits with central banks primarily represent fiscal deposits and foreign exchange reserve placed with the PBOC.

19. Balances with banks and other financial institutions

	2025	2024
Principal (a)	**199,955**	220,549
Impairment allowances (a)(b)	**(447)**	(830)
Subtotal	**199,508**	219,719
Accrued interest	**891**	512
Total	**200,399**	220,231

(a) Analysed by nature of counterparties

	2025	2024
In the mainland China	**165,368**	176,929
– Banks	**152,454**	166,974
– Other financial institutions	**12,914**	9,955
Outside the mainland China	**34,587**	43,620
– Banks	**34,171**	43,042
– Other financial institutions	**416**	578
Total	**199,955**	220,549
Less: Impairment allowances	**(447)**	(830)
– Banks	**(378)**	(776)
– Other financial institutions	**(69)**	(54)
Net carrying amount	**199,508**	219,719

(b) Movements of allowances for impairment losses are as follows:

	2025	2024
Balance as at the beginning of the year	**830**	223
Charge/(release) for the year (note 14)	**(373)**	607
Exchange difference	**(10)**	–
Balance as at the end of the year	**447**	830

20. Placements with banks and other financial institutions

	2025	2024
Principal (a)	**504,938**	406,817
Impairment allowances (a)(c)	**(1,197)**	(1,126)
Subtotal	**503,741**	405,691
Accrued interest	**3,698**	3,264
Total	**507,439**	408,955

(a) Analysed by nature of counterparties

	2025	2024
In the mainland China	**392,648**	292,720
– Banks	**33,454**	39,380
– Other financial institutions	**359,194**	253,340
Outside the mainland China	**112,290**	114,097
– Banks	**112,290**	114,097
Total	**504,938**	406,817
Less: Impairment allowances	**(1,197)**	(1,126)
– Banks	**(222)**	(216)
– Other financial institutions	**(975)**	(910)
Net carrying amount	**503,741**	405,691

(b) Analysed by remaining maturity

	2025	2024
Maturing		
– Within one month (inclusive)	**131,410**	125,756
– Between one month and one year (inclusive)	**361,292**	264,359
– Over one year	**11,039**	15,576
Total	**503,741**	405,691

(c) Movements of allowances for impairment losses are as follows:

	2025	2024
Balance as at the beginning of the year	**1,126**	519
Charge/(release) for the year (note 14)	**76**	607
Exchange difference	**(5)**	–
Balance as at the end of the year	**1,197**	1,126

21. Amounts held under resale agreements

	2025	2024
Principal (a)	**259,338**	272,043
Impairment allowances (a)(d)	**(666)**	(746)
Subtotal	**258,672**	271,297
Accrued interest	**36**	32
Total	**258,708**	271,329

(a) Analysed by nature of counterparties

	2025	2024
In the mainland China	**258,581**	271,387
– Banks	**30,999**	53,048
– Other financial institutions	**227,582**	218,339
Outside the mainland China	**757**	656
– Banks	**–**	72
– Other financial institutions	**757**	584
Total	**259,338**	272,043
Less: Impairment allowances	**(666)**	(746)
– Banks	**(162)**	(176)
– Other financial institutions	**(504)**	(570)
Net carrying amount	**258,672**	271,297

(b) Analysed by remaining maturity

	2025	2024
Maturing		
– Within one month (inclusive)	**258,672**	271,297
Total	**258,672**	271,297

(c) Analysed by underlying assets

	2025	2024
Bonds	**248,696**	257,549
Bills	**9,976**	13,748
Total	**258,672**	271,297

(d) Movements of allowances for impairment losses are as follows:

	2025	2024
Balance as at the beginning of the year	**746**	589
Charge/(release) for the year (note 14)	**(80)**	157
Balance as at the end of the year	**666**	746

22. Loans and advances to customers

(a) Loans and advances to customers

	2025	2024
Gross amount of loans and advances to customers at amortised cost (i)	**6,640,193**	6,300,863
Accrued interest	**10,133**	10,565
Subtotal	**6,650,326**	6,311,428
Loss allowances of loans and advances to customers at amortised cost (i)	**(262,973)**	(265,365)
Loss allowances of accrued interest	**(997)**	(982)
Subtotal	**(263,970)**	(266,347)
Loans and advances to customers at amortised cost	**6,386,356**	6,045,081
Loans and advances to customers at FVTOCI (ii)	**519,574**	551,692
Accrued interest	**2**	–
Subtotal	**519,576**	551,692
Loans and advances to customers at FVTPL (iii)	**98,306**	35,775
Total	**7,004,238**	6,632,548

(i) Loans and advances to customers at amortised cost

	2025	2024
Corporate loans and advances	**2,919,909**	2,656,238
Retail loans and advances	**3,720,191**	3,644,625
Discounted bills	**93**	–
Gross amount of loans and advances to customers at amortised cost	**6,640,193**	6,300,863
Less: Loss allowances	**(262,973)**	(265,365)
– Stage 1 (12-month ECL)	**(134,817)**	(152,598)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(68,720)**	(56,926)
– Stage 3 (Lifetime ECL-credit-impaired)	**(59,436)**	(55,841)
Net amount of loans and advances to customers at amortised cost	**6,377,220**	6,035,498

(ii) Loans and advances to customers at FVTOCI

	2025	2024
Corporate loans and advances	**294,820**	206,343
Discounted bills	**224,754**	345,349
Loans and advances to customers at FVTOCI	**519,574**	551,692
Loss allowances	**(4,249)**	(4,936)
– Stage 1 (12-month ECL)	**(4,033)**	(4,515)
– Stage 2 (Lifetime ECL-not credit-impaired)	**(216)**	(421)
– Stage 3 (Lifetime ECL-credit-impaired)	**–**	–

No loss allowance is recognised in the consolidated statement of financial position for loans and advances to customers at FVTOCI as the carrying amount is at fair value.

(iii) Loans and advances to customers at FVTPL

	2025	2024
Corporate loans and advances	**1,021**	1,159
Discounted bills	**97,270**	34,601
Accrued interest	**15**	15
Total	**98,306**	35,775

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers

(i) Analysed by industry sector and category:

Operations in the mainland China

	2025	2024
Manufacturing	**739,562**	652,430
Transportation, storage and postal services	**518,959**	497,123
Production and supply of electric power, heat, gas and water	**390,405**	333,400
Property development	**290,743**	287,798
Wholesale and retail	**274,763**	222,593
Leasing and commercial services	**238,521**	186,736
Telecommunications, software and IT services	**165,130**	124,026
Construction	**107,096**	105,294
Finance	**73,610**	89,007
Mining	**65,091**	49,632
Water, environment and public utilities management	**34,891**	36,728
Other	**97,591**	88,901
Subtotal of corporate loans and advances	**2,996,362**	2,673,668
Discounted bills	**322,117**	379,950
Residential mortgage	**1,411,084**	1,404,101
Credit cards	**938,993**	947,712
Micro-finance loans	**873,750**	824,128
Consumer loans	**426,653**	396,161
Other	**3,867**	5,388
Subtotal of retail loans and advances	**3,654,347**	3,577,490
Gross amount of loans and advances to customers	**6,972,826**	6,631,108

Operations outside the mainland China

	2025	2024
Finance	**72,507**	51,257
Transportation, storage and postal services	**50,569**	44,972
Property development	**22,908**	30,753
Production and supply of electric power, heat, gas and water	**17,624**	9,856
Manufacturing	**13,850**	17,200
Telecommunications, software and IT services	**13,078**	10,991
Leasing and commercial services	**9,441**	7,756
Wholesale and retail	**4,733**	5,118
Mining	**3,926**	2,335
Construction	**3,520**	2,672
Water, environment and public utilities management	**1,256**	1,051
Other	**5,976**	6,111
Subtotal of corporate loans and advances	**219,388**	190,072
Residential mortgage	**14,152**	13,349
Credit cards	**122**	131
Micro-finance loans	**1,946**	1,315
Other	**49,624**	52,340
Subtotal of retail loans and advances	**65,844**	67,135
Gross amount of loans and advances to customers	**285,232**	257,207

As at 31 December 2025, over 90% of the Group's loans and advances to customers were conducted in the mainland China (31 December 2024: over 90%).

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(ii) Analysed by type of guarantees:

	2025	2024
Credit loans	**2,980,421**	2,800,227
Guaranteed loans	**1,007,233**	872,494
Collateralised loans	**2,462,399**	2,381,108
Pledged loans	**485,888**	454,536
Subtotal	**6,935,941**	6,508,365
Discounted bills	**322,117**	379,950
Gross amount of loans and advances to customers	**7,258,058**	6,888,315

(iii) Analysed by overdue term:

	2025				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	**24,191**	**14,523**	**4,267**	**2,636**	**45,617**
Guaranteed loans	**2,452**	**2,084**	**5,719**	**3,242**	**13,497**
Collateralised loans	**10,140**	**7,794**	**7,112**	**1,736**	**26,782**
Pledged loans	**1,768**	**2,265**	**307**	**410**	**4,750**
Gross amount of loans and advances to customers	**38,551**	**26,666**	**17,405**	**8,024**	**90,646**

	2024				
	Overdue within 3 months (inclusive)	Overdue from 3 months up to 1 year (inclusive)	Overdue from 1 year up to 3 years (inclusive)	Overdue more than 3 years	Total overdue loans
Credit loans	29,777	15,187	2,741	1,421	49,126
Guaranteed loans	1,079	2,575	7,418	2,966	14,038
Collateralised loans	8,562	7,190	6,857	1,331	23,940
Pledged loans	2,810	249	501	1,211	4,771
Gross amount of loans and advances to customers	42,228	25,201	17,517	6,929	91,875

Note: Loans are classified as overdue when the principal or interest is overdue more than one day.

Among the above-mentioned overdue loans and advances to customers, collateralised loans and pledged loans that are overdue but not impaired at the reporting date are as follows:

	2025	2024
Collateralised loans that are overdue but not impaired	**7,969**	7,170
Pledged loans that are overdue but not impaired	**1,424**	1,542
Total	**9,393**	8,712

22. Loans and advances to customers *(continued)*

(b) Analysis of loans and advances to customers *(continued)*

(iv) Analysed by ECL

	2025			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	**6,318,340**	**253,647**	**68,206**	**6,640,193**
Less: Loss allowances of loans and advances to customers at amortised cost	**(134,817)**	**(68,720)**	**(59,436)**	**(262,973)**
Net amount of loans and advances to customers at amortised cost	**6,183,523**	**184,927**	**8,770**	**6,377,220**
Loans and advances to customers at FVTOCI	**517,728**	**1,846**	**–**	**519,574**
Loss allowances of loans and advances to customers at FVTOCI	**(4,033)**	**(216)**	**–**	**(4,249)**

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Loans and advances measured at amortised cost	6,030,395	204,858	65,610	6,300,863
Less: Loss allowances of loans and advances to customers at amortised cost	(152,598)	(56,926)	(55,841)	(265,365)
Net amount of loans and advances to customers at amortised cost	5,877,797	147,932	9,769	6,035,498
Loans and advances to customers at FVTOCI	550,089	1,603	–	551,692
Loss allowances of loans and advances to customers at FVTOCI	(4,515)	(421)	–	(4,936)

22. Loans and advances to customers *(continued)*

(c) Movements of allowance for expected credit losses

(i) Reconciliation of allowance for expected credit losses for loans and advances to customers measured at amortised cost:

	2025			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	**152,598**	**56,926**	**55,841**	**265,365**
Transfer to				
– Stage 1	**5,304**	**(5,236)**	**(68)**	**–**
– Stage 2	**(8,659)**	**9,171**	**(512)**	**–**
– Stage 3	**(3,650)**	**(13,959)**	**17,609**	**–**
Charge/(release) for the year (note 14)	**(10,606)**	**21,896**	**31,978**	**43,268**
Write-offs/disposals	**–**	**–**	**(56,067)**	**(56,067)**
Recovery of loans and advances written off	**–**	**–**	**10,851**	**10,851**
Exchange and other differences	**(170)**	**(78)**	**(196)**	**(444)**
Balance as at the end of the year	**134,817**	**68,720**	**59,436**	**262,973**

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	165,866	47,729	53,210	266,805
Transfer to				
– Stage 1	8,028	(7,877)	(151)	–
– Stage 2	(6,417)	6,817	(400)	–
– Stage 3	(1,688)	(9,413)	11,101	–
Charge/(release) for the year (note 14)	(13,314)	19,624	35,090	41,400
Write-offs/disposals	–	–	(53,154)	(53,154)
Recovery of loans and advances written off	–	–	10,274	10,274
Exchange and other differences	123	46	(129)	40
Balance as at the end of the year	152,598	56,926	55,841	265,365

(ii) Reconciliation of allowance for expected credit losses for loans and advances to customers measured at FVTOCI:

	2025	2024
Balance as at the beginning of the year	**4,936**	2,729
Charge/(release) for the year (note 14)	**(686)**	2,208
Exchange difference	**(1)**	(1)
Balance as at the end of the year	**4,249**	4,936

22. Loans and advances to customers *(continued)*

(d) Finance leases receivable

The table below provides an analysis of finance leases receivable included in loans and advances to customers for leases of assets in which the Group is a lessor:

	2025	2024
Total minimum leases receivable		
Within 1 year (inclusive)	**13,083**	16,148
Over 1 year but within 2 years (inclusive)	**9,073**	9,230
Over 2 years but within 3 years (inclusive)	**6,929**	5,495
Over 3 years but within 4 years (inclusive)	**6,126**	4,598
Over 4 years but within 5 years (inclusive)	**5,734**	4,058
Over 5 years	**25,040**	18,506
Subtotal	**65,985**	58,035
Unearned finance income	**(11,600)**	(8,991)
Present value of minimum leases receivable	**54,385**	49,044
Less: Impairment allowances	**(3,272)**	(2,738)
– Stage 1 (12-month ECL)	**(1,437)**	(642)
– Stage 2 (Lifetime ECL – not credit-impaired)	**(909)**	(1,763)
– Stage 3 (Lifetime ECL – credit-impaired)	**(926)**	(333)
Net carrying amount of finance leases receivable	**51,113**	46,306

23. Financial investments

	Notes	2025	2024
Financial investments at fair value through profit or loss	23(a)	**647,796**	617,018
Debt investments at amortised cost	23(b)	**2,124,951**	1,941,580
Debt investments at FVTOCI	23(c)	**1,337,950**	1,092,127
Equity investments designated at FVTOCI	23(d)	**24,424**	22,315
Total		**4,135,121**	3,673,040

(a) Financial investments at fair value through profit or loss

	Notes	2025	2024
Financial investments measured at FVTPL	(i)	**636,328**	603,353
Financial assets designated at fair value through profit or loss	(ii)	**11,468**	13,665
Total		**647,796**	617,018

23. Financial investments *(continued)*

(a) Financial investments at fair value through profit or loss *(continued)*

(i) Financial investments measured at FVTPL

Financial investments held for trading

	2025	2024
Bonds:		
Classified by issuer	**337,044**	243,906
– Government bonds	**189,740**	96,730
– Bonds issued by policy banks	**41,970**	45,491
– Bonds issued by commercial banks and other financial institutions	**67,211**	58,420
– Other debt securities	**38,123**	43,265
Classified by listing	**337,044**	243,906
– Listed in the mainland China	**319,617**	222,192
– Listed outside the mainland China	**12,156**	13,079
– Unlisted	**5,271**	8,635
Other investments:		
Classified by underlying assets	**10,162**	2,379
– Equity investments	**1,972**	310
– Fund investments	**1,140**	1,026
– Wealth management products	**1,233**	909
– Precious metal contracts	**5,817**	134
Classified by listing	**10,162**	2,379
– Listed in the mainland China	**930**	310
– Listed outside the mainland China	**7,030**	134
– Unlisted	**2,202**	1,935
Total financial investments held for trading	**347,206**	246,285

23. Financial investments *(continued)*

(a) Financial investments at fair value through profit or loss *(continued)*

(i) Financial investments measured at FVTPL *(continued)*

Other financial investments measured at FVTPL

	2025	2024
Bonds:		
Classified by issuer	**7,759**	8,146
– Bonds issued by commercial banks and other financial institutions	**2,216**	1,443
– Other debt securities	**5,543**	6,703
Classified by listing	**7,759**	8,146
– Listed in the mainland China	**7,320**	6,528
– Listed outside the mainland China	**439**	551
– Unlisted	**–**	1,067
Other investments:		
Classified by underlying assets	**281,363**	348,922
– Equity investments	**4,748**	2,952
– Fund investments	**264,082**	342,925
– Wealth management products	**3,183**	2,225
– Non-standard assets	**9,146**	596
– Other	**204**	224
Classified by listing	**281,363**	348,922
– Listed in the mainland China	**1,196**	835
– Listed outside the mainland China	**324**	216
– Unlisted	**279,843**	347,871
Total other financial investments measured at FVTPL	**289,122**	357,068
Total financial investments measured at FVTPL	**636,328**	603,353

(ii) Financial investments designated at fair value through profit or loss

	2025	2024
Bonds:		
Classified by issuer	**11,468**	13,665
– Government bonds	**30**	43
– Bonds issued by policy banks	**5,733**	8,820
– Bonds issued by commercial banks and other financial institutions	**5,705**	4,802
Classified by listing	**11,468**	13,665
– Listed in the mainland China	**11,300**	11,928
– Listed outside the mainland China	**168**	1,646
– Unlisted	**–**	91
Total financial investments designated at FVTPL	**11,468**	13,665

23. Financial investments *(continued)*

(b) Debt investments at amortised cost

	2025	2024
Debt investments at amortised cost (i)(ii)	**2,136,700**	1,955,920
Accrued interest	**22,089**	21,328
Subtotal	**2,158,789**	1,977,248
Impairment losses of debt investments at amortised cost (i)(ii)(iii)	**(33,610)**	(35,459)
Impairment losses of accrued interest	**(228)**	(209)
Subtotal	**(33,838)**	(35,668)
Total	**2,124,951**	1,941,580

(i) **Debt investments at amortised cost:**

	2025	2024
Bonds:		
Classified by issuer	**2,036,223**	1,848,162
– Government bonds	**1,427,462**	1,240,885
– Bonds issued by policy banks	**476,846**	494,867
– Bonds issued by commercial banks and other financial institutions	**116,778**	99,345
– Other debt securities	**15,137**	13,065
Classified by listing	**2,036,223**	1,848,162
– Listed in the mainland China	**1,876,853**	1,743,427
– Listed outside the mainland China	**93,846**	68,301
– Unlisted	**65,524**	36,434
Fair value for the listed bonds	**2,057,151**	1,960,310
Other investments:		
Classified by underlying assets	**100,477**	107,758
– Non-standard assets – Loans and advances to customers	**39,610**	49,046
– Non-standard assets – Creditor's beneficiary rights to other commercial banks	**52,810**	49,403
– Non-standard assets – Other	**7,721**	8,656
– Other	**336**	653
Classified by listing	**100,477**	107,758
– Unlisted	**100,477**	107,758
Total	**2,136,700**	1,955,920
Less: Loss allowances	**(33,610)**	(35,459)
– Stage 1 (12-month ECL)	**(8,421)**	(8,949)
– Stage 2 (Lifetime ECL – not credit-impaired)	**(1,057)**	(354)
– Stage 3 (Lifetime ECL – credit-impaired)	**(24,132)**	(26,156)
Net debt investments at amortised cost	**2,103,090**	1,920,461

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(ii) Analysed by stage of ECL:

	2025			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	**2,107,678**	**4,586**	**24,436**	**2,136,700**
Less: Loss allowances of debt investments at amortised cost	**(8,421)**	**(1,057)**	**(24,132)**	**(33,610)**
Net debt investments at amortised cost	**2,099,257**	**3,529**	**304**	**2,103,090**

	2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Debt investments at amortised cost	1,927,893	1,790	26,237	1,955,920
Less: Loss allowances of debt investments at amortised cost	(8,949)	(354)	(26,156)	(35,459)
Net debt investments at amortised cost	1,918,944	1,436	81	1,920,461

(iii) Movements of allowances for expected credit losses

	2025			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	**8,949**	**354**	**26,156**	**35,459**
Transfer to:				
– Stage 1	**–**	**–**	**–**	**–**
– Stage 2	**(93)**	**99**	**(6)**	**–**
– Stage 3	**–**	**–**	**–**	**–**
Charge/(release) for the year (note 14)	**(430)**	**611**	**(2,362)**	**(2,181)**
Write-offs/disposals	**–**	**–**	**(232)**	**(232)**
Recovery of debt previously written off	**–**	**–**	**593**	**593**
Exchange difference	**(5)**	**(7)**	**(17)**	**(29)**
Balance as at the end of the year	**8,421**	**1,057**	**24,132**	**33,610**

23. Financial investments *(continued)*

(b) Debt investments at amortised cost *(continued)*

(iii) Movements of allowances for expected credit loss *(continued)*

	2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	13,193	486	25,711	39,390
Transfer to:				
– Stage 1	–	–	–	–
– Stage 2	(40)	40	–	–
– Stage 3	–	–	–	–
Charge/(release) for the year (note 14)	(4,209)	(174)	253	(4,130)
Recovery of debt previously written off	–	–	175	175
Exchange difference	5	2	17	24
Balance as at the end of the year	8,949	354	26,156	35,459

(c) Debt investments at FVTOCI

	2025	2024
Debt investments at FVTOCI (i)	**1,325,300**	1,082,577
Accrued interest	**12,650**	9,550
Total	**1,337,950**	1,092,127
Impairment losses of debt investments at FVTOCI (ii)	**(7,787)**	(8,620)
Impairment losses of accrued interest	**(188)**	(227)
Total	**(7,975)**	(8,847)

No impairment allowances are recognised in the consolidated statement of financial position for debt investments at FVTOCI as the carrying amount is at fair value.

(i) Debt investments at FVTOCI:

	2025	2024
Bonds:		
Classified by issuer	**1,325,100**	1,082,577
– Government bonds	**897,455**	688,572
– Bonds issued by policy banks	**76,447**	23,685
– Bonds issued by commercial banks and other financial institutions	**238,443**	230,694
– Other debt securities	**112,755**	139,626
Classified by listing	**1,325,100**	1,082,577
– Listed in the mainland China	**952,189**	781,480
– Listed outside the mainland China	**144,334**	127,562
– Unlisted	**228,577**	173,535
Other investments:		
Classified by underlying assets	**200**	–
– Securities Brokerage Income Certificates	**200**	–
Classified by listing	**200**	–
– Unlisted	**200**	–
Total	**1,325,300**	1,082,577

23. Financial investments *(continued)*

(c) Debt investments at FVTOCI *(continued)*

(ii) Movements of allowances for expected credit losses

	2025	2024
Balance as at the beginning of the year	**8,620**	6,812
Charge/(release) for the year (note 14)	**(708)**	1,730
Exchange difference	**(125)**	78
Balance as at the end of the year	**7,787**	8,620

(d) Equity investments designated at FVTOCI

	2025	2024
Repossessed equity instruments	**2,651**	2,596
Other	**21,773**	19,719
Total	**24,424**	22,315
Classified by listing		
– Listed in the mainland China	**306**	322
– Listed outside the mainland China	**14,399**	12,565
– Unlisted	**9,719**	9,428
Total	**24,424**	22,315

During the year ended 31 December 2025, the Group disposed part of the equity investments designated at FVTOCI. The fair value of the equity investments disposed at the date of derecognition was RMB128 million (2024: RMB1,429 million). The cumulative net of tax profit of RMB11 million (2024: cumulative net of tax loss of RMB4 million) was transferred from investment revaluation reserve to retained earnings on disposal.

24. Particulars of principal subsidiaries of the bank

The following list contains particulars of subsidiaries which principally affect the financial results, assets or liabilities of the Group. Unless otherwise stated, the class of all shares held is ordinary. All of these companies are subsidiaries as defined under Note 4(1) and have been included in the scope of the consolidated financial statements of the Group.

Name of company	Place of incorporation and operation	Particulars of the issued and paid up capital (in millions)	% of ownership held by the Bank	Principal activities	Economic nature
CMB International Capital Holdings Corporation Limited (note (i))	Hong Kong	HKD4,129	100%	Investment bank and investment management	Limited liability
CMB Financial Leasing Company Limited (note (ii))	Shanghai	RMB18,000	100%	Finance leasing	Limited liability
CMB Wing Lung Bank Limited (note (iii))	Hong Kong	HKD1,161	100%	Banking	Limited liability
China Merchants Fund Management Co., Ltd. (note (iv))	Shenzhen	RMB1,310	55%	Fund management	Limited liability
CMB Wealth Management Co., Ltd (note (v))	Shenzhen	RMB5,556	90%	Asset management	Limited liability
China Merchants Europe S.A. (note (vi))	Luxembourg	EUR100	100%	Banking	Limited liability
Cigna & CMB Asset Management Company Limited (note (vii))	Beijing	RMB500	(note (vii))	Asset management	Limited liability
China Merchants Bank Financial Asset Investment Co., Ltd. (note (viii))	Shenzhen	RMB15,000	100%	Financial assets investment	Limited liability

24. Particulars of principal subsidiaries of the bank *(continued)*

Notes:

(i) CMB International Capital Holdings Corporation Limited ("CMBIC"), formerly known as Jiangnan Finance Company Limited and CMB International Capital Corporation Limited, is the Bank's wholly-owned subsidiary approved for setting up by the PBOC through its Yin Fu [1998] No. 405. In 2014, the Bank made an additional capital contribution of HKD750 million in CMBIC. The capital of CMBIC increased to HKD1,000 million, and the Bank's shareholding percentage remained unchanged. The Board of Directors passed "The Resolution regarding the Capital Increase and Restructuring of CMBIC" which agreed that the Bank made capital contribution of USD400 million (or its equivalent) to CMBIC on 28 July 2015. The capital contribution was completed on 20 January 2016.

(ii) CMB Financial Leasing Company Limited ("CMBFL") is a wholly-owned subsidiary of the Bank approved for setting up by the former CBIRC through its Yin Jian Fu [2008] No. 110 and commenced its operation in April 2008. In 2014, the Bank made an additional capital contribution of RMB2,000 million in CMBFL. The capital of CMBFL increased to RMB6,000 million and the Bank's shareholding percentage remained unchanged. In August 2021, CMBFL converted RMB6,000 million of its retained earnings into share capital, and the capital of CMBFL increased to RMB12,000 million. The Bank's shareholding percentage remained unchanged. In September 2024, CMBFL converted RMB6,000 million of its retained earnings into share capital, and the capital of CMBFL increased to RMB18,000 million. The Bank's shareholding percentage remained unchanged.

(iii) CMB Wing Lung Bank Limited ("CMB WLB") was formerly known as Wing Lung Bank Limited. On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. CMB WLB became a wholly owned subsidiary of the Bank on 15 January 2009. CMB WLB had withdrawn from listing on the HKEx as of 16 January 2009.

(iv) In 2012, the Bank acquired 21.60% equity interests in China Merchants Fund Management Co., Ltd. ("CMFM"), its former associate, from ING Asset Management B.V. at a consideration of EUR63,567,567.57. Following the settlement of the above consideration in cash, the Bank's shareholding in CMFM increased from 33.40% to 55.00% in 2013. As a result, the Bank obtained the control over CMFM, which became the Bank's subsidiary on 28 November 2013. In December 2017, the Bank made an additional capital contribution of RMB605 million in CMFM, and other shareholders of CMFM also made capital contribution of RMB495 million proportionally. The capital of CMFM increased to RMB1,310 million, and the Bank's shareholding percentage remained unchanged.

(v) CMB Wealth Management Co., Ltd. ("CMBWM") is a wholly-owned subsidiary of the Bank, approved for setting up by the former CBIRC with Yin Bao Jian Fu [2019] No. 981. It was formally established on 1 November 2019. In accordance with the approval of former CBIRC (Yin Bao Jian Fu [2021] No.920)", JPMorgan Asset Management (Asia Pacific) Limited ("JPMorgan Asset Management") has subscribed for a 10% stake in CMBWM in 2022 with an investment of RMB2,667 million. After the completion of capital injection, CMBWM's registered capital has been increased to approximately RMB5,556 million from RMB5,000 million and the Bank's and JPMorgan Asset Management's shareholdings are 90% and 10% respectively.

(vi) China Merchants Europe S.A. ("CMB Europe S.A.") is a wholly-owned subsidiary of the Bank approved by the former CBIRC with Yin Bao Jian Fu [2016] No. 460. The Bank received an approval from the European Central Bank (ECB) for the establishment of CMB Europe S.A. in Luxembourg in May 2021. In June 2023, the Bank made an additional capital contribution of EUR 50 million in CMB Europe S.A. The capital of CMB Europe S.A. increased to EUR 100 million, and the Bank's shareholding percentage remained unchanged.

(vii) Cigna & CMB Asset Management Company Limited ("CIGNA & CMAM") was registered and established on 18 October 2020 with the approval for setting up by the former CBIRC with Yin Bao Jian Fu [2020] No.708. CIGNA & CMAM is an indirectly controlled subsidiary of the Bank, with 87.3458% held by CIGNA & CMB Life Insurance Co., Ltd., a joint venture of the Bank, and 12.6542% held by CMBIC, a subsidiary of the Bank.

(viii) China Merchants Bank Financial Asset Investment Co., Ltd. ("CMB Investment") is a wholly-owned subsidiary of the Bank, established in November 2025, approved for commence operations by the NFRA with Jin Fu [2025] No.667 with a registered capital of RMB15,000 million.

25. Interests in joint ventures

	2025	2024
Share of net assets	**20,126**	19,310
Share of profits for the year	**3,984**	1,713
Share of other comprehensive income/(expense) for the year	**(2,934)**	2,185

Details of the Group's interests in major joint ventures are as follows:

Name of joint ventures	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
CIGNA & CMB Life Insurance Co., Ltd. (note (i))	Limited liability	Shenzhen	RMB2,800	50.00%	50.00%	Life insurance business
Merchants Union Consumer Finance Company Limited (note (ii))	Joint stock limited company	Shenzhen	RMB10,000	50.00%	50.00%	Consumer finance

Notes:

(i) The Group holds 50.00% equity interests in CIGNA & CMB Life Insurance Co., Ltd. ("CIGNA & CMB Life") and Cigna Health and Life Insurance Company ("CHLIC") holds the other 50.00% equity interests. The Bank and CHLIC share the joint venture's risk, profits and losses based on their shareholding proportionally. The Bank's investment in CIGNA & CMB Life is accounted for as an investment in a joint venture.

(ii) CMB WLB, one of the Group's wholly-owned subsidiaries, and China United Network Communications Limited ("CUNC"), a subsidiary of China Unicom Limited, jointly set up Merchants Union Consumer Finance Company Limited ("MUCFC"). Former CBIRC approved the operation of MUCFC on 3 March 2015. CMB WLB and CUNC each held 50% equity interests in MUCFC and share the risks, profits and losses proportionally based on their shareholdings. In December 2017, the Bank and CUNC made a capital contribution of RMB600 million in MUCFC respectively. After the capital injection, the capital of MUCFC increased to RMB2,859 million, with the Bank's shareholding percentage becoming 15%, CMB WLB's shareholding percentage becoming 35%, and the Group's total shareholding percentage remained at 50%. In December 2018, the Bank made another capital contribution of RMB1,000 million in MUCFC, and CUNC made the same amount of capital injection. After that, the share capital of MUCFC has reached RMB3,869 million. The Bank and CMB WLB then held 24.15% and 25.85% of equity interests in MUCFC, respectively, and the Group's total shareholding percentage remained at 50%.

In July 2021, CMB WLB transferred all its shares of MUCFC to the Bank. After the transfer, the Bank and CUNC each held 50% of equity interests in MUCFC, and the Group's total shareholding percentage remained unchanged. In October 2021, MUCFC converted RMB1,331 million of its capital reserve and RMB4,800 million of its retained earnings into share capital, and the share capital of MUCFC increased to RMB10,000 million after the conversion.

In July 2023, MUCFC completed the registration of the change of its Chinese name from "招聯消費金融有限公司" to "招聯消費金融股份有限公司".

25. Interests in joint ventures *(continued)*

Summarised financial information of the joint ventures which are individually material to the Group is as follows:

(i) CIGNA & CMB Life:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income/ (expense)	Total comprehensive income/ (expense)	Cash and cash equivalents	Depreciation and amortisation	Income tax
2025										
CIGNA & CMB Life	**259,289**	**244,946**	**14,343**	**19,376**	**3,351**	**(3,337)**	**14**	**3,152**	**128**	**1,489**
Group's effective interest	**129,449**	**122,473**	**6,976**	**9,688**	**1,622**	**(1,669)**	**(47)**	**1,576**	**64**	**745**
2024										
CIGNA & CMB Life	214,689	199,905	14,784	49,553	558	4,371	4,929	1,596	141	(61)
Group's effective interest	106,976	99,953	7,023	24,777	222	2,185	2,407	798	71	(31)

(ii) MUCFC:

	Assets	Liabilities	Equity	Revenue	Net profit	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2025									
MUCFC	**167,238**	**142,121**	**25,117**	**16,144**	**3,054**	**3,054**	**6,386**	**104**	**467**
Group's effective interest	**83,620**	**71,061**	**12,559**	**8,072**	**1,527**	**1,527**	**3,193**	**52**	**234**
2024									
MUCFC	163,751	141,088	22,663	17,318	3,016	3,016	4,170	50	440
Group's effective interest	81,876	70,544	11,332	8,659	1,508	1,508	2,085	25	220

Summarised financial information of the joint ventures that are not individually material to the Group is as follows:

	Net profit or loss	Other comprehensive income	Total comprehensive income/(expense)
2025			
Other joint ventures	**1,542**	**–**	**1,542**
Group's effective interest	**299**	**–**	**299**
2024			
Other joint ventures	(626)	–	(626)
Group's effective interest	(17)	–	(17)

26. Interests in associates

	2025	2024
Share of net assets	**12,788**	11,705
Share of profits for the year	**1,489**	919
Share of other comprehensive income/(expense) for the year	**(210)**	267

Details of the Group's interest in major associate are as follows:

	Economic nature	Place of incorporation and operation	Particulars of issued and paid up capital (in millions)	Group's effective interest	Percentage of ownership held by the Bank	Principal activity
Bank of Taizhou Co., Ltd. (Note)	Joint stock limited company	Taizhou	RMB 1,800	24.8559%	24.8559%	Commercial Bank

Note: The Bank, which originally held a 10% stake in Bank of Taizhou, acquired a total of 14.8559% stake from Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. at a total consideration of RMB3,121 million on 31 May 2021. Upon the completion of the transaction, the Bank held 24.8559% stake of Bank of Taizhou. The Bank can exercise significant influence on Bank of Taizhou and therefore this investment is included in interests in associates.

Summarised financial information of the associate which is individually material to the Group is as follows:

	Assets	Liabilities	Equity	Revenue	Net profit	Other comprehensive income	Total comprehensive income	Cash and cash equivalents	Depreciation and amortisation	Income tax
2025										
Bank of Taizhou Co., Ltd.	**420,332**	**381,710**	**38,622**	**11,221**	**3,529**	**(907)**	**2,622**	**17,285**	**537**	**659**
Group's effective interest	**103,283**	**94,878**	**8,405**	**2,789**	**815**	**(225)**	**590**	**4,296**	**133**	**164**
2024										
Bank of Taizhou Co., Ltd.	412,899	375,527	37,372	12,714	4,781	982	5,763	15,429	521	1,009
Group's effective interest	101,380	93,341	8,039	3,160	1,096	255	1,351	3,835	129	251

Summarised financial information of the associates that are not individually material to the Group is as follows:

	Net profit or loss	Other comprehensive income	Total comprehensive income/(expense)
2025			
Other associates	**7,131**	**39**	**7,170**
Group's effective interest	**674**	**15**	**689**
2024			
Other associates	(726)	33	(693)
Group's effective interest	(177)	12	(165)

27. Investment properties

	2025	2024
Cost:		
At 1 January	**3,479**	3,097
Transfers in/(out)	**94**	318
Exchange difference	**(84)**	64
At 31 December	**3,489**	3,479
Accumulated depreciation:		
At 1 January	**2,362**	1,937
Depreciation	**169**	129
Transfers in/(out)	**31**	245
Exchange difference	**(70)**	51
At 31 December	**2,492**	2,362
Net carrying amount:		
At 31 December	**997**	1,117
At 1 January	**1,117**	1,160

As at 31 December 2025, no impairment allowance was considered necessary for investment properties by the Group (31 December 2024: Nil).

Investment properties of the Group mainly represent the leased properties of CMB WLB and the Bank that have been leased out under operating leases. The fair value of the Group's investment properties is determined by the market approach and the method of capitalisation of net rental income. As at 31 December 2025, the fair value of these properties was RMB3,547 million (31 December 2024: RMB4,322 million).

The Group's total future minimum leases receivable under non-cancellable operating leases are as follows:

	2025	2024
Within 1 year (inclusive)	**232**	199
1 year to 2 years (inclusive)	**162**	187
2 year to 3 years (inclusive)	**76**	165
3 year to 4 years (inclusive)	**59**	104
4 year to 5 years (inclusive)	**45**	106
Over 5 years	**238**	169
Total	**812**	930

The fair value hierarchy of the investment properties of the Group are listed as follows:

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2025
Located in the mainland China	–	**1,272**	–	**1,272**
Located overseas	–	–	**2,275**	**2,275**
Total	–	**1,272**	**2,275**	**3,547**

	Level 1	Level 2	Level 3	Fair Value as at 31 December 2024
Located in the mainland China	–	1,875	–	1,875
Located overseas	–	–	2,447	2,447
Total	–	1,875	2,447	4,322

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

28. Property and equipment

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2025	34,324	3,825	19,137	13,623	119,633	4,943	195,485
Additions	8	3,016	2,177	527	22,639	341	28,708
Reclassification and transfers	5,311	(6,782)	23	1,196	–	158	(94)
Disposals	(6)	–	(584)	(48)	(19,160)	(543)	(20,341)
Exchange difference	(148)	–	(82)	(26)	(2,239)	(11)	(2,506)
At 31 December 2025	39,489	59	20,671	15,272	120,873	4,888	201,252
Accumulated depreciation:							
At 1 January 2025	17,121	–	15,646	9,768	18,134	4,165	64,834
Depreciation	1,510	–	1,765	857	6,937	375	11,444
Reclassification and transfers	(34)	–	–	(39)	–	(2)	(75)
Disposals	(4)	–	(584)	(4)	(5,624)	(530)	(6,746)
Exchange difference	(126)	–	(71)	(20)	(336)	(7)	(560)
At 31 December 2025	18,467	–	16,756	10,562	19,111	4,001	68,897
Impairment loss:							
At 1 January 2025	–	–	–	–	1,890	–	1,890
Charge	–	–	–	–	177	–	177
Disposals	–	–	–	–	(1,219)	–	(1,219)
Exchange difference	–	–	–	–	(17)	–	(17)
At 31 December 2025	–	–	–	–	831	–	831
Net carrying amount:							
At 31 December 2025	21,022	59	3,915	4,710	100,931	887	131,524
At 1 January 2025	17,203	3,825	3,491	3,855	99,609	778	128,761

28. Property and equipment *(continued)*

	Land and buildings	Construction in progress	Computer equipment	Leasehold improvements	Aircraft, vessels and professional equipment	Other	Total
Cost:							
At 1 January 2024	33,026	3,980	17,338	12,767	104,803	5,210	177,124
Additions	9	1,995	2,529	532	29,732	285	35,082
Reclassification and transfers	1,413	(2,150)	46	402	–	(29)	(318)
Disposals	(237)	–	(839)	(94)	(16,074)	(530)	(17,774)
Exchange difference	113	–	63	16	1,172	7	1,371
At 31 December 2024	34,324	3,825	19,137	13,623	119,633	4,943	195,485
Accumulated depreciation:							
At 1 January 2024	15,984	–	14,582	8,946	16,815	4,270	60,597
Depreciation	1,480	–	1,812	891	6,689	453	11,325
Reclassification and transfers	(245)	–	46	(52)	–	(46)	(297)
Disposals	(186)	–	(838)	(32)	(5,501)	(523)	(7,080)
Exchange difference	88	–	44	15	131	11	289
At 31 December 2024	17,121	–	15,646	9,768	18,134	4,165	64,834
Impairment loss:							
At 1 January 2024	20	–	–	–	1,159	–	1,179
Charge	–	–	–	–	791	–	791
Disposals	(20)	–	–	–	(74)	–	(94)
Exchange difference	–	–	–	–	14	–	14
At 31 December 2024	–	–	–	–	1,890	–	1,890
Net carrying amount:							
At 31 December 2024	17,203	3,825	3,491	3,855	99,609	778	128,761
At 1 January 2024	17,022	3,980	2,756	3,821	86,829	940	115,348

(a) As at 31 December 2025, the process of obtaining the registration certificate for the Group's properties with an aggregate net carrying value of RMB5,908 million (31 December 2024: RMB2,394 million) was still in progress. Management is of the view that the aforesaid matter would neither affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

(b) As at 31 December 2025, the Group had no significant unused property and equipment (31 December 2024: None).

(c) As at 31 December 2025, the carrying value of mortgaged aircraft and vessels for placements from banks and other financial institutions of the CMBFL was RMB21,806 million (31 December 2024: RMB24,026 million).

(d) The Group's total future minimum lease receivables under non-cancellable operating leases are as follows:

	2025	2024
Within 1 year (inclusive)	**11,983**	11,988
1 year to 2 years (inclusive)	**10,297**	10,327
2 year to 3 years (inclusive)	**9,571**	8,677
3 year to 4 years (inclusive)	**8,137**	8,178
4 year to 5 years (inclusive)	**7,384**	7,634
Over 5 years	**27,760**	29,074
Total	**75,132**	75,878

29. Lease contracts

(a) Right-of-use assets

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2025	5,947	25,269	13	11	31,240
Additions	56	2,911	1	–	2,968
Decrease	–	(3,937)	–	(1)	(3,938)
Exchange difference	(11)	(31)			(42)
At 31 December 2025	5,992	24,212	14	10	30,228
Accumulated depreciation:					
At 1 January 2025	1,737	12,600	8	5	14,350
Depreciation (note 10)	183	3,739	4	2	3,928
Decrease	–	(3,330)	–	(1)	(3,331)
Exchange difference	(6)	(3)			(9)
At 31 December 2025	1,914	13,006	12	6	14,938
Net carrying amount:					
At 31 December 2025	4,078	11,206	2	4	15,290
At 1 January 2025	4,210	12,669	5	6	16,890

	Land use rights	Buildings	Computer equipment	Motor vehicles and other	Total
Cost:					
At 1 January 2024	6,002	25,044	10	11	31,067
Additions	–	4,423	7	–	4,430
Decrease	(61)	(4,222)	(4)	–	(4,287)
Exchange difference	6	24	–	–	30
At 31 December 2024	5,947	25,269	13	11	31,240
Accumulated depreciation:					
At 1 January 2024	1,557	12,399	8	3	13,967
Depreciation (note 10)	182	3,919	4	2	4,107
Decrease	(2)	(3,759)	(4)	–	(3,765)
Exchange difference	–	41	–	–	41
At 31 December 2024	1,737	12,600	8	5	14,350
Impairment loss:					
At 1 January 2024	59	–	–	–	59
Decrease	(59)	–	–	–	(59)
At 31 December 2024	–	–	–	–	–
Net carrying amount:					
At 31 December 2024	4,210	12,669	5	6	16,890
At 1 January 2024	4,386	12,645	2	8	17,041

The Group mainly leases land use rights and buildings for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee.

29. Lease contracts *(continued)*

(b) Lease liabilities

Analysis of the Group's lease liabilities by remaining maturity is as follows:

	2025	2024
Within 1 month (inclusive)	**417**	448
1 month to 3 months (inclusive)	**594**	607
3 months to 1 year (inclusive)	**2,694**	2,855
1 year to 2 years (inclusive)	**2,879**	3,145
2 years to 5 years (inclusive)	**3,817**	4,560
Over 5 years	**852**	1,163
Total	**11,253**	12,778

(c) Short-term leases and leases of low-value assets

Short-term lease expense and leases of low-value assets expense are disclosed in note 10. The Group entered into short-term leases for buildings, computer equipment, motor vehicles and other.

(d) During the year of 2025, total cash outflow of the Group's leases amounted to RMB4,542 million (2024: RMB4,793 million).

(e) As at 31 December 2025 and 2024, the leases committed but not yet commenced were not significant.

30. Intangible assets

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2025	**10,753**	**1,246**	**11,999**
Additions	**191**	**–**	**191**
Disposals	**(44)**	**–**	**(44)**
Exchange difference	**(8)**	**(56)**	**(64)**
At 31 December 2025	**10,892**	**1,190**	**12,082**
Accumulated amortisation:			
At 1 January 2025	**9,041**	**720**	**9,761**
Charge for the year (note 10)	**399**	**42**	**441**
Disposals	**(44)**	**–**	**(44)**
Exchange difference	**(8)**	**(32)**	**(40)**
At 31 December 2025	**9,388**	**730**	**10,118**
Impairment loss:			
At 1 January 2025	**42**	**–**	**42**
At 31 December 2025	**42**	**–**	**42**
Net carrying amount:			
At 31 December 2025	**1,462**	**460**	**1,922**
At 1 January 2025	**1,670**	**526**	**2,196**

	Software and other	Core deposits	Total
Cost/appraisal value:			
At 1 January 2024	10,577	1,203	11,780
Additions	194	–	194
Disposals	(22)	–	(22)
Exchange difference	4	43	47
At 31 December 2024	10,753	1,246	11,999
Accumulated amortisation:			
At 1 January 2024	8,418	653	9,071
Charge for the year (note 10)	636	44	680
Disposals	(20)	–	(20)
Exchange difference	7	23	30
At 31 December 2024	9,041	720	9,761
Impairment loss:			
At 1 January 2024	–	–	–
Charge for the year	42	–	42
At 31 December 2024	42	–	42
Net carrying amount:			
At 31 December 2024	1,670	526	2,196
At 1 January 2024	2,159	550	2,709

31. Goodwill

	As at 31 December 2024	Addition during the year	Decrease during the year	**As at 31 December 2025**
CMB WLB (note (i))	10,177	–	–	**10,177**
CMFM (note (ii))	355	–	–	**355**
CMB Network Technology (note (iii))	1	–	–	**1**
Total	10,533	–	–	**10,533**
Less: Impairment allowances – CMB WLB	(579)	–	–	**(579)**
Net carrying amount	9,954	–	–	**9,954**

Notes:

(i) On 30 September 2008, the Bank acquired a 53.12% equity interests in CMB WLB. On the acquisition date, the fair value of CMB WLB's identifiable net assets was RMB12,898 million, of which the Bank accounted for RMB6,851 million. A sum of RMB10,177 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMB WLB are set out in Note 24.

(ii) On 28 November 2013, the Bank acquired a 55.00% equity interests in CMFM. On the acquisition date, the fair value of CMFM's identifiable net assets was RMB752 million, of which the Bank accounted for RMB414 million. A sum of RMB355 million, being the excess of acquisition cost of RMB769 million over the fair value of the identifiable net assets, was recognised as goodwill. The details about CMFM are set out in Note 24.

(iii) On 1 April 2015, CMBIC acquired the 100% equity interests in China Merchants Bank Network Technology (Shenzhen) Co., Ltd. ("CMB Network Technology"). On the acquisition date, the fair value of CMB Network Technology's identifiable net assets was RMB3 million. A sum of RMB1 million, being the excess of acquisition cost over the fair value of the identifiable net assets, was recognised as goodwill.

Impairment test for goodwill

The recoverable amounts of the CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using a steady growth rate. The growth rate is comparable to the forecast long-term economic growth rate issued by authoritative institutions which does not exceed the long-term average growth rate for the business in which the CGU operates.

The discount rate adopted by the Group is the before-tax rate and reflects the specific risk associated with the CGU. A pre-tax discount rates of CMB WLB and CMFM adopted by the Group are 9% and 9%(2024: 10% and 11%). The Group believes any reasonably possible change in the key assumptions on which recoverable amounts are based would not cause the carrying amounts of the CGUs to exceed their recoverable amounts.

32. Deferred tax assets and deferred tax liabilities

	2025	2024
Deferred tax assets	**89,856**	83,674
Deferred tax liabilities	**(1,115)**	(1,592)
Net amount	**88,741**	82,082

(a) Deferred tax assets/(liabilities) and related temporary differences are attributable to the following items:

	2025		2024	
	Deductible/ (taxable) temporary difference	**Deferred tax**	Deductible/ (taxable) temporary difference	Deferred tax
Deferred tax assets before offsetting qualifying amounts				
Impairment allowances on loans and advances to customers and other assets at amortised cost	**293,989**	**73,194**	294,876	73,469
Financial assets at FVTOCI	**24**	**6**	1,389	233
Financial instruments at FVTPL	**705**	**176**	845	209
Lease liabilities	**11,108**	**2,770**	12,656	3,163
Salaries and welfare payable and other	**93,066**	**22,005**	92,695	22,081
Total	**398,892**	**98,151**	402,461	99,155
Deferred tax liabilities before offsetting qualifying amounts				
Financial assets at FVTOCI	**(13,992)**	**(3,432)**	(32,611)	(8,153)
Financial instruments at FVTPL	**(554)**	**(137)**	(9,597)	(2,399)
Right-of-use assets	**(11,089)**	**(2,764)**	(12,575)	(3,142)
Other	**(20,135)**	**(3,077)**	(22,188)	(3,379)
Total	**(45,770)**	**(9,410)**	(76,971)	(17,073)

	2025	2024
Deferred tax assets before offsetting qualifying amounts	**98,151**	99,155
Offsetting amounts	**(8,295)**	(15,481)
Deferred tax assets after offsetting qualifying amounts	**89,856**	83,674
Deferred tax liabilities before offsetting qualifying amounts	**(9,410)**	(17,073)
Offsetting amounts	**8,295**	15,481
Deferred tax liabilities after offsetting qualifying amounts	**(1,115)**	(1,592)

32. Deferred tax assets and deferred tax liabilities *(continued)*

(b) Movements of deferred tax

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Other	Total
At 1 January 2025	73,469	(7,920)	(2,190)	18,723	82,082
Recognised in profit or loss	(198)	(361)	2,217	115	1,773
Recognised in other comprehensive income	–	4,862	–	(2)	4,860
Exchange difference	(77)	(7)	12	98	26
At 31 December 2025	73,194	(3,426)	39	18,934	88,741

	Impairment allowances on loans and advances to customers and other assets at amortised cost	Financial assets at FVTOCI	Financial instruments at FVTPL	Other	Total
At 1 January 2024	74,251	(2,232)	(363)	17,294	88,950
Recognised in profit or loss	(808)	1,004	(1,828)	1,468	(164)
Recognised in other comprehensive income	–	(6,704)	–	4	(6,700)
Exchange difference	26	12	1	(43)	(4)
At 31 December 2024	73,469	(7,920)	(2,190)	18,723	82,082

Note: No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

33. Other assets

	2025	2024
Amounts pending for settlement	**4,622**	14,206
Continuing involvement assets	**5,274**	5,274
Accrued interest	**4,084**	4,662
Prepaid lease payments	**392**	482
Repossessed assets (a)	**356**	383
Guarantee deposits	**749**	629
Prepayment for leasehold improvement and other miscellaneous items	**5,490**	6,617
Post-employment benefits: defined benefit plan (note 39(b))	**74**	71
Other	**28,613**	23,989
Total	**49,654**	56,313

(a) Repossessed assets

	2025	2024
Land and buildings	**449**	506
Other repossessed assets	**9**	5
Total	**458**	511
Less: Impairment allowances	**(102)**	(128)
Net repossessed assets	**356**	383

Note: In 2025, the Group disposed of repossessed assets with a total carrying value of RMB86 million (2024: RMB52 million).

34. Deposits from banks and other financial institutions

	2025	2024
Principal (a)	**910,488**	699,306
Accrued interest	**1,211**	669
Total	**911,699**	699,975

(a) Analysed by nature of counterparties

	2025	2024
In the mainland China	**908,760**	697,014
– Banks	**32,203**	37,744
– Other financial institutions	**876,557**	659,270
Outside the mainland China	**1,728**	2,292
– Banks	**1,056**	1,157
– Other financial institutions	**672**	1,135
Total	**910,488**	699,306

35. Placements from banks and other financial institutions

	2025	2024
Principal (a)	**249,635**	234,453
Accrued interest	**1,066**	923
Total	**250,701**	235,376

(a) Analysed by nature of counterparties

	2025	2024
In the mainland China	**174,442**	153,837
– Banks	**173,961**	150,562
– Other financial institutions	**481**	3,275
Outside the mainland China	**75,193**	80,616
– Banks	**74,983**	80,397
– Other financial institutions	**210**	219
Total	**249,635**	234,453

36. Financial liabilities at fair value through profit or loss

	2025	2024
Financial liabilities held for trading (a)	**88,605**	29,146
Financial liabilities designated at fair value through profit or loss (b)	**31,894**	38,315
Total	**120,499**	67,461

(a) Financial liabilities held for trading

	2025	2024
Financial liabilities related to precious metal	**88,317**	28,757
Short position on bonds	**288**	389
Total	**88,605**	29,146

(b) Financial liabilities designated at fair value through profit or loss

	2025	2024
In the mainland China	**31,085**	32,489
– Other	**31,085**	32,489
Outside the mainland China	**809**	5,826
– Debt securities issued	**–**	5,567
– Other	**809**	259
Total	**31,894**	38,315

As at 31 December 2025 and 2024, the difference between the fair values of the Group's financial liabilities designated at fair value through profit or loss and the contractual payable amount at maturity is not significant. The amounts of changes in the fair value of these liabilities that are attributable to changes in credit risk of the Group are not significant during the years ended 31 December 2025 and 2024 and as at 31 December 2025 and 2024.

37. Amounts sold under repurchase agreements

	2025	2024
Principal (a)(b)	**95,262**	83,747
Accrued interest	**148**	295
Total	**95,410**	84,042

(a) Analysed by nature of counterparties

	2025	2024
In the mainland China	**81,106**	60,182
– Banks	**77,482**	56,941
– Other financial institutions	**3,624**	3,241
Outside the mainland China	**14,156**	23,565
– Banks	**9,873**	11,759
– Other financial institutions	**4,283**	11,806
Total	**95,262**	83,747

(b) Analysed by underlying assets

	2025	2024
Debt securities	**95,262**	83,747
– Government bonds	**71,743**	57,326
– Bonds issued by policy banks	**5,007**	8,530
– Bonds issued by commercial banks and other financial institutions	**17,564**	11,128
– Other debt securities	**948**	6,763
Total	**95,262**	83,747

38. Deposits from customers

	2025	2024
Principal (a)	**9,836,130**	9,096,587
Accrued interest	**88,428**	98,742
Total	**9,924,558**	9,195,329

(a) Analysed by nature of counterparties

	2025	2024
Corporate customers	**5,340,216**	5,063,553
– Demand deposits	**2,761,092**	2,772,365
– Time deposits	**2,579,124**	2,291,188
Retail customers	**4,495,914**	4,033,034
– Demand deposits	**2,234,851**	1,980,251
– Time deposits	**2,261,063**	2,052,783
Total	**9,836,130**	9,096,587

(b) The deposits taken from customers as collateral or for the purpose of guarantees are as follows:

	2025	2024
Guarantee for acceptance bills	**295,228**	283,883
Guarantee for loans	**10,769**	12,086
Guarantee for issuing letters of credit	**30,556**	27,385
Deposit for letters of guarantee	**58,235**	53,126
Other	**18,222**	21,087
Total	**413,010**	397,567

39. Staff welfare scheme

(a) Salaries and welfare payable

	2025			
	Beginning balance	Charge/ (Decrease) for the year	Payment/ transfers in the year	Ending balance
Short-term employee benefits (i)	**34,364**	**60,898**	**(59,491)**	**35,771**
Post-employment benefits – defined contribution plans (ii)	**148**	**7,791**	**(7,751)**	**188**
Total	**34,512**	**68,689**	**(67,242)**	**35,959**

	2024			
	Beginning balance	Charge/ (Decrease) for the year	Payment/ transfers in the year	Ending balance
Short-term employee benefits (i)	28,314	62,029	(55,979)	34,364
Post-employment benefits – defined contribution plans (ii)	361	6,059	(6,272)	148
Other long-term employee benefits				
– cash settled share-based transactions	4	–	(4)	–
Total	28,679	68,088	(62,255)	34,512

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(i) Short-term employee benefits

	2025			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Salaries and bonus	**28,838**	**52,680**	**(50,992)**	**30,526**
Welfare expense	**54**	**1,531**	**(1,558)**	**27**
Social insurance	**342**	**2,347**	**(2,354)**	**335**
– Medical insurance	**327**	**2,196**	**(2,203)**	**320**
– Injury insurance	**5**	**63**	**(63)**	**5**
– Maternity insurance	**10**	**88**	**(88)**	**10**
Housing reserve	**51**	**3,306**	**(3,333)**	**24**
Labour union and employee education expenses	**5,079**	**1,034**	**(1,254)**	**4,859**
Total	**34,364**	**60,898**	**(59,491)**	**35,771**

	2024			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Salaries and bonus	23,592	52,627	(47,381)	28,838
Welfare expense	15	2,389	(2,350)	54
Social insurance	362	1,954	(1,974)	342
– Medical insurance	345	1,812	(1,830)	327
– Injury insurance	6	50	(51)	5
– Maternity insurance	11	92	(93)	10
Housing reserve	141	2,940	(3,030)	51
Labour union and employee education expenses	4,204	2,119	(1,244)	5,079
Total	28,314	62,029	(55,979)	34,364

39. Staff welfare scheme *(continued)*

(a) Salaries and welfare payable *(continued)*

(ii) Post-employment benefits-defined contribution plans

	2025			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	**69**	**3,980**	**(3,996)**	**53**
Supplementary pension	**66**	**3,672**	**(3,615)**	**123**
Unemployment insurance	**13**	**139**	**(140)**	**12**
Total	**148**	**7,791**	**(7,751)**	**188**

	2024			
	Beginning balance	Charge for the year	Payment/ transfers in the year	Ending balance
Basic retirement insurance	179	3,519	(3,629)	69
Supplementary pension	161	2,430	(2,525)	66
Unemployment insurance	21	110	(118)	13
Total	361	6,059	(6,272)	148

In accordance with the regulations in the PRC, the Group participates in statutory pension schemes organised by the municipal and provincial governments for its all employees (endowment insurance). During the year ended 31 December 2025, the Group's contributions to these pension schemes are determined by local governments and vary at a range of 14% to 17% (2024: 14% to 16%) of the staff salaries and bonuses.

In addition to the above statutory pension schemes, the Group has established a supplementary defined contribution plan for its employees (annuity insurance) in accordance with relevant annuity policies for corporate entities in the PRC. During the year ended 31 December 2025, the Group's annual contributions to this plan are calculated at 8% of the staff salaries and bonuses (2024: not exceeding 8%).

For its employees outside the mainland China, the Group participates in defined contribution retirement schemes at funding rates determined in accordance with the local practices and regulations.

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan

The Group's subsidiary CMB WLB operates a defined benefit plan (the "plan") for the staff, which includes a defined benefit scheme and a defined benefit pension scheme. Contributions to the plan are determined based on periodic valuations by qualified actuaries on the assets and liabilities of the plan. The plan provides benefits based on members' final salary. The costs are solely funded by CMB WLB.

The latest actuarial valuation of the plan as at 31 December 2025 was performed by Towers Watson Hong Kong Limited, a professional actuarial firm in accordance with IAS 19 *Employee Benefits*. The present values of the defined benefit obligation and current service cost of the plan are calculated based on the projected unit credit method. At the valuation date, the plan had a funding level of 132% (2024: 133%).

The amounts recognised in the consolidated statement of financial position as at 31 December 2025 and 2024 are analysed as follows:

	2025	2024
Fair value of the plan assets	**306**	283
Present value of the funded defined benefit obligation	**(232)**	(212)
Net asset recognised in the consolidated statement of financial position	**74**	71

A portion of the above asset is expected to be recovered after more than one year. However, it is not practicable to segregate this amount from the amounts receivable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions. No contribution to the plan is expected to be paid in 2026.

There was no plan amendment, curtailment or settlement impact for the years ended 31 December 2025 and 2024.

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2025	2024
Current service cost	**(6)**	(7)
Net interest income	**3**	1
Net expense for the year included in retirement benefit costs	**(3)**	(6)

The actual gain on the plan assets for the year ended 31 December 2025 was RMB51 million (2024: gain of RMB24 million).

The movements in the defined benefit obligation during the year are as follows:

	2025	2024
Present value of obligation at 1 January	**212**	217
Current service cost	**6**	7
Interest cost	**6**	7
Actual benefits paid	**(14)**	(18)
Actuarial gains or losses due to liability experience	**13**	12
Actuarial gains or losses due to financial assumption changes	**18**	(20)
Actuarial gains or losses due to demographic assumption changes	**–**	–
Exchange difference	**(9)**	7
Actual obligation at 31 December	**232**	212

The movements in the fair value of the plan assets during the year are as follows:

	2025	2024
Fair value of the plan assets at 1 January	**283**	267
Interest income	**9**	8
Expected return on plan assets	**42**	16
Actual benefits paid	**(14)**	(18)
Exchange difference	**(14)**	10
Fair value of the plan assets at 31 December	**306**	283

39. Staff welfare scheme *(continued)*

(b) Post-employment benefits – defined benefit plan *(continued)*

The major categories of the plan assets are as follows:

	2025		2024	
	Amount	%	Amount	%
Equities	**179**	**58.5**	155	54.8
Bonds	**53**	**17.3**	56	19.8
Cash	**74**	**24.2**	72	25.4
Total	**306**	**100.0**	283	100.0

As at 31 December 2025, deposit with the Bank included in the amount of the plan assets was RMB65 million (2024: RMB63 million).

The principal actuarial assumptions adopted in the valuation are as follows:

	2025 %	2024 %
Discount rate		
– Defined benefit scheme	**2.7**	3.1
– Defined benefit pension scheme	**2.5**	3.7
Long-term average rate of salary increase for the plan	**4.0**	3.0
Pension increase rate for the defined benefit pension plan	**–**	–

In 2025 and 2024, there were no significant change in the amount of retirement benefit plan liabilities due to changes in the above-mentioned actuarial assumptions.

40. Tax payable

	2025	2024
Corporate income tax	**9,051**	5,680
Value added tax	**3,711**	3,963
Other	**1,951**	2,070
Total	**14,713**	11,713

41. Contract liabilities

	2025	2024
Credit card points	**2,090**	2,838
Other deferred fee and commission income	**1,458**	1,355
Total	**3,548**	4,193

42. Provisions

	2025	2024
Expected credit losses on provisions	**14,963**	14,712
Other	**1,956**	2,050
Total	**16,919**	16,762

The expected credit losses for loan commitments and financial guarantee contracts by stages are as follows:

	2025	2024
Stage 1 (12-month ECL)	**13,611**	12,560
Stage 2 (Lifetime ECL-not credit-impaired)	**1,036**	1,338
Stage 3 (Lifetime ECL-credit-impaired)	**316**	814
Total	**14,963**	14,712

43. Debt securities issued

	Notes	2025	2024
Debt securities issued	(a)	**80,963**	85,003
Negotiable interbank certificates of deposit issued		**11,259**	89,186
Certificates of deposit and other debt securities issued (note)		**50,181**	47,394
Accrued interest		**1,084**	1,338
Total		**143,487**	222,921

Note: Other debt securities issued are notes issued by overseas subsidiaries of the Bank.

(a) Debt securities issued

As at the end of the reporting period, debt securities issued by the Bank were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Medium term note	60 months	2021/9/1	1.25	USD300	2,195	–	(1)	(90)	–	2,104
Medium term note	36 months	2022/3/2	2.00	USD400	2,938	–	–	(68)	(2,870)	–
Fixed rate bond	36 months	2022/5/11	2.65	RMB5,000	5,000	–	–	–	(5,000)	–
Fixed rate bond	36 months	2022/9/1	2.40	RMB10,000	9,999	–	1	–	(10,000)	–
Fixed rate bond	36 months	2023/3/27	2.77	RMB5,000	4,999	–	–	–	–	4,999
Medium term note	36 months	2023/6/13	SOFR+0.65	USD400	2,927	–	–	(125)	–	2,802
Fixed rate bond	36 months	2024/3/22	2.35	RMB5,000	4,999	–	–	–	–	4,999
Medium term note	36 months	2024/7/10	5.22	USD400	2,955	–	–	(134)	–	2,821
Medium term note	36 months	2024/7/15	5.78	USD300	2,212	–	(1)	(95)	–	2,116
Fixed rate bond	36 months	2025/2/25	1.90	RMB5,000	–	5,000	(1)	–	–	4,999
Fixed rate bond	36 months	2025/6/5	1.66	RMB5,000	–	5,000	(1)	–	–	4,999
Floating rate bond	36 months	2025/12/3	DR+0.34	RMB3,500	–	3,500	–	–	–	3,500
Fixed rate bond	60 months	2025/12/3	1.85	RMB1,500	–	1,500	–	–	–	1,500
Total					38,224	15,000	(3)	(512)	(17,870)	34,839

SOFR represents Secured Overnight Financing Rate. DR represents rate securities as pledges for deposit-taking institutions in the inter-bank market published by the China Foreign Exchange Trade System.

Note: Financial bonds issued by the Bank that were held by CMB WLB amounted to a total of RMB314 million equivalent as of 31 December 2025 (31 December 2024: RMB364 million equivalent).

43. Debt securities issued *(continued)*

(a) Debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBFL and its subsidiary were as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	120 months	2019/7/3	3.63	USD100	716	–	1	(16)	–	701
Fixed rate bond	120 months	2020/7/14	4.25	RMB2,000	1,995	–	5	–	(2,000)	–
Fixed rate bond	60 months	2020/8/12	1.88	USD800	5,748	–	3	(38)	(5,713)	–
Fixed rate bond	120 months	2020/8/12	2.75	USD400	2,860	–	3	(61)	–	2,802
Fixed rate bond	60 months	2021/2/4	2.00	USD400	2,873	–	2	(61)	–	2,814
Fixed rate bond	120 months	2021/2/4	2.88	USD400	2,855	–	3	(61)	–	2,797
Fixed rate bond	60 months	2021/3/24	2.00	USD20	143	–	–	(2)	–	141
Fixed rate bond	60 months	2021/9/16	1.75	USD300	2,151	–	3	(46)	–	2,108
Floating rate bond	60 months	2022/12/16	SOFR+1.40	USD100	719	–	–	(16)	–	703
Fixed rate bond	24 months	2023/2/17	3.50	RMB500	500	–	–	–	(500)	–
Floating rate bond	24 months	2023/5/31	SOFR+1.00	USD75	539	–	–	–	(539)	–
Floating rate bond	36 months	2023/6/13	SOFR+1.05	USD103	739	–	1	(16)	–	724
Fixed rate bond	18 months	2023/7/10	3.05	RMB700	700	–	–	–	(700)	–
Floating rate bond	24 months	2023/8/16	SOFR+0.95	USD100	719	–	–	(5)	(714)	–
Floating rate bond	60 months	2023/8/18	SOFR+1.30	USD50	358	–	–	(7)	–	351
Floating rate bond	36 months	2023/8/23	SOFR+1.00	USD300	2,152	–	3	(46)	–	2,109
Floating rate bond	24 months	2023/8/25	SOFR+0.95	USD100	718	–	–	(4)	(714)	–
Fixed rate bond	36 months	2023/11/16	2.80	RMB2,500	2,496	–	2	–	–	2,498
Fixed rate bond	36 months	2023/11/27	3.35	RMB350	349	–	–	–	–	349
Floating rate bond	36 months	2023/11/30	SOFR+1.10	USD50	359	–	–	(7)	–	352
Fixed rate bond	36 months	2023/12/5	2.90	RMB4,000	3,994	–	4	–	–	3,998
Fixed rate bond	36 months	2024/3/5	2.45	RMB3,000	2,995	–	2	–	–	2,997
Floating rate bond	36 months	2024/3/12	SOFR+1.05	USD40	288	–	–	(7)	–	281
Floating rate bond	36 months	2024/3/27	SOFR+1.00	USD67	481	–	–	(10)	–	471
Floating rate bond	12 months	2024/4/16	SOFR+0.64	USD20	144	–	–	–	(144)	–
Floating rate bond	12 months	2024/4/22	SOFR+0.65	USD30	216	–	–	–	(216)	–
Fixed rate bond	36 months	2024/5/23	2.20	RMB2,500	2,495	–	2	–	–	2,497
Floating rate bond	36 months	2024/6/4	SOFR+0.76	USD500	3,588	–	3	(77)	–	3,514
Floating rate bond	36 months	2024/8/7	SOFR+0.76	USD257	1,849	–	(1)	(39)	–	1,809
Floating rate bond	36 months	2024/10/8	SOFR+0.76	USD30	216	–	–	(5)	–	211
Floating rate bond	48 months	2024/10/25	SOFR+0.639	USD30	216	–	–	(5)	–	211
Floating rate bond	12 months	2024/11/20	SOFR+0.45	USD50	359	–	–	(5)	(354)	–
Floating rate bond	12 months	2024/11/27	SOFR+0.49	USD100	719	–	–	(11)	(708)	–
Floating rate bond	12 months	2024/12/17	SOFR+0.49	USD30	216	–	–	(4)	(212)	–
Fixed rate bond	36 months	2025/5/22	1.75	RMB2,000	–	2,000	(3)	–	–	1,997
Floating rate bond	60 months	2025/6/5	SOFR+0.80	USD400	–	2,875	–	(65)	–	2,810
Floating rate bond	36 months	2025/6/5	SOFR+0.68	USD300	–	2,156	1	(49)	–	2,108
Fixed rate bond	36 months	2025/7/23	1.71	RMB1,500	–	1,500	(3)	–	–	1,497
Floating rate bond	36 months	2025/9/25	SOFR+0.63	USD50	–	356	–	(4)	–	352
Floating rate bond	3 months	2025/12/17	SOFR+0.35	USD5	–	35	–	–	–	35
Total					47,465	8,922	31	(667)	(12,514)	43,237

Note: Financial bonds issued by CMBFL that were held by the Bank amounted to a total of RMB150 million equivalent as of 31 December 2025 (31 December 2024: Nil). Financial bonds issued by CMB International Leasing Management Limited (CMBILM), a wholly-owned subsidiary of CMBFL, that were separately held by the Bank and CMB WLB amounted to a total of RMB1,884 million equivalent and RMB212 million equivalent as of 31 December 2025 (31 December 2024: RMB1,533 million equivalent and RMB236 million equivalent).

43. Debt securities issued *(continued)*

(a) Debt securities issued *(continued)*

As at the end of the reporting period, debt securities issued by CMBIC's subsidiary was as follows:

Debt type	Term to maturity	Date of issuance	Annual interest rate (%)	Nominal value (in million)	Beginning balance (RMB in million)	Issue during the year (RMB in million)	Discount or premium amortisation (RMB in million)	Exchange difference (RMB in million)	Repayment during the year (RMB in million)	Ending balance (RMB in million)
Fixed rate bond	24 months	2024/4/29	3.15	RMB720	719	–	1	–	–	720
Floating rate bond	36 months	2024/6/26	SOFR+0.65	USD100	728	–	1	(31)	–	698
Floating rate bond	36 months	2025/8/26	SOFR+0.60	USD300	–	2,136	(1)	(40)	–	2,095
Floating rate bond	60 months	2025/8/26	SOFR+0.68	USD300	–	2,136	(1)	(40)	–	2,095
Total					1,447	4,272	–	(111)	–	5,608

Note: Financial bond issued by Legend Fortune Limited, a wholly-owned subsidiary of CMBIC, that was held by CMB WLB amounted to a total of RMB161 million equivalent as of 31 December 2025 (31 December 2024: Nil).

44. Other liabilities

	2025	2024
Clearing and settlement accounts	**8,348**	15,151
Salary risk allowances (note)	**48,950**	48,950
Dividend Payable	**25,574**	26
Continuing involvement liability	**5,274**	5,274
Collecting on behalf of customers	**602**	885
Cheques and remittances returned	**8**	7
Other payable	**41,278**	40,097
Total	**130,034**	110,390

Note: Salary risk allowances are specific funds withheld from the employees' annual remunerations of which the payments are delayed for the purpose of risk management. The allocation of the funds is based on performance assessment and risk management results, taking into account the short term and long term benefit. In the event of a decline in the asset quality, a sharp deterioration of risk profiles and profitability, the occurrence of legal case, or a significant regulatory violation identified by any regulatory authorities, the relevant employees will be restricted from the allocation of these allowances.

45. Share capital

By type of shares:

	2025 and 2024 No. of shares (in million)
– A Shares	20,629
– H Shares	4,591
Total	25,220

All H Shares are ordinary shares and rank pari passu with the A Shares. There is no restriction on these shares.

	Capital	
	No. of shares (in million)	Amount
At 31 December 2025 and 2024	**25,220**	**25,220**

46. Other equity instruments

(a) Preference shares

	Issuance date	Accounting classification	Dividend rate	Issue price	No. (millions of shares)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Preference Shares (note (i))	22 Dec 2017	Equity instruments	3.62%	RMB 100/Share	275	27,468	Perpetual existence	Note (ii)	None
Total					275	27,468			

The changes of Preference Shares issued were as follows:

	Issuance date	1 January 2025		Increase/(decrease)		31 December 2025	
		No. (millions of shares)	Amount (RMB in million)	No. (millions of shares)	Amount (RMB in million)	**No. (millions of shares)**	**Amount (RMB in million)**
Domestic Preference Shares (note (i))	22 Dec 2017	275	27,468	–	–	**275**	**27,468**
Total		275	27,468	–	–	**275**	**27,468**

Notes:

(i) Pursuant to the approvals by the relevant regulatory authorities in China, the Bank issued non-cumulative Domestic Preference Shares in the aggregate nominal value of RMB27,500 million on 22 December 2017. Each Domestic Preference Share has a nominal value of RMB100 and 275 million Domestic Preference Shares were issued in total. The dividend rate is initially at 4.81% and subject to reset per agreement subsequently, but not exceeds 16.68%. On 18 December 2022, five years after the issuance of the Domestic Preference Shares, the Bank adjusted the dividend rate per annum to 3.62% in accordance with market rules.

(ii) Domestic Preference Shares have clauses that state certain events would trigger mandatory conversion, those clauses are as follows:

(1) Upon the occurrence of any additional Tier 1 Capital Instrument Trigger Event, that is, the Common Equity Tier 1 Adequacy Ratio drops to 5.125% or below, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares in order to restore the Common Equity Tier 1 Adequacy Ratio of the Bank to above 5.125%. In the case of partial conversion, the Preference Shares shall be converted on a pro rata basis and on identical conditions.

(2) Upon the occurrence of a Tier 2 Capital Trigger Event, the Bank shall have the right to convert, without the consent of the holders of Preference Shares, all or part of the Preference Shares then issued and outstanding into Ordinary A Shares based on the total nominal value of the Preference Shares. A Tier 2 Capital Trigger Event refers the earlier of the following events: 1) NFRA having concluded that without a conversion or write-off, the Bank would become non-viable, and 2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

Upon the occurrence of the above mandatory conversion events, the Bank shall report to the NFRA for review and determination. The Bank shall fulfil the relevant information disclosure requirements of the Securities Law, the CSRC and Hong Kong's relevant laws and regulations such as making provisional reports or announcements in accordance with relevant regulatory requirements.

Dividends on the Domestic Preference Shares shall be paid in cash. Save for such dividend at the agreed dividend rate, the holders of the above Preference Shares are not entitled to share the remaining profits of the Bank with the ordinary shareholders. Dividend is non-cumulative. The Bank has the right to cancel any dividend on Preference Shares, and such cancellation shall not be deemed as a default. After the cancellation of all or part of the dividend to preference shareholders, the Bank shall not make any ordinary shares distribution, until the Preference Shares dividend is resumed in full. As the dividends on the Domestic Preference Shares are non-cumulative, the Bank will not distribute the dividends that were cancelled in prior years to Preference Shares holders.

The Domestic Preference Shares have no maturity date. However, after the fifth anniversary of the issuance date, subject to the satisfaction of the redemption conditions and having obtained the prior approval of the NFRA, the Domestic Preference Shares may be redeemed in whole or in part at the discretion of the Bank, but the Bank does not have the obligation to redeem the Preference Shares. The holders of Preference Shares do not have the right to demand the Bank to redeem the Preference Shares and shall not expect that Preference Shares will be redeemed.

The funds raised by the Preference Shares above have been included in additional Tier 1 capital of the Bank.

46. Other equity instruments *(continued)*

(b) Perpetual Bonds

	Issuance date	Accounting classification	Interest rate	Issue price	No. (millions of units)	Amount (RMB in million)	Due date	Conversion conditions	Conversion
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	Equity instruments	3.69%	RMB 100/Unit	430	42,989	Perpetual existence	None	None
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	Equity instruments	3.41%	RMB 100/Unit	300	30,000	Perpetual existence	None	None
Domestic Perpetual Bonds (note (iv))	5 Nov 2024	Equity instruments	2.42%	RMB 100/Unit	300	30,000	Perpetual existence	None	None
Domestic Perpetual Bonds (note (v))	29 Apr 2025	Equity instruments	2.13%	RMB 100/Unit	200	20,000	Perpetual existence	None	None
Domestic Perpetual Bonds (note (vi))	29 May 2025	Equity instruments	2.05%	RMB 100/Unit	270	27,000	Perpetual existence	None	None
Total					1,500	149,989			

The movement of Perpetual Bonds issued were as follows:

	Issuance date	1 January 2025		Increase/(decrease)		31 December 2025	
		No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)	No. (millions of units)	Amount (RMB in million)
Domestic Perpetual Bonds (note (i))	9 Jul 2020	500	49,989	(500)	(49,989)	–	–
Domestic Perpetual Bonds (note (ii))	7 Dec 2021	430	42,989	–	–	430	42,989
Domestic Perpetual Bonds (note (iii))	1 Dec 2023	300	30,000	–	–	300	30,000
Domestic Perpetual Bonds (note (iv))	5 Nov 2024	300	30,000	–	–	300	30,000
Domestic Perpetual Bonds (note (v))	29 Apr 2025	–	–	200	20,000	200	20,000
Domestic Perpetual Bonds (note (vi))	29 May 2025	–	–	270	27,000	270	27,000
Total		1,530	152,978	(30)	(2,989)	1,500	149,989

Notes:

(i) With the approval of the relevant regulatory authorities in China, the Bank issued RMB50,000 million of 2020 China Merchants Bank Co., Ltd. Undated Additional Tier 1 Capital Bonds (Series 1) (the "Perpetual Bonds 2020") in the national inter-bank bond market on 9 July 2020. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2020. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2020 will continue to be outstanding so long as the Bank continues to operate. With the approval of the NFRA, the Bank fully redeemed the bonds on 9 July 2025.

(ii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB43,000 million of 2021 China Merchants Bank Co., Ltd. Undated Additional Tier 1 Capital Bonds (the "Perpetual Bonds 2021") in the national inter-bank bond market on 7 December 2021. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2021. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2021 will continue to be outstanding so long as the Bank continues to operate.

(iii) With the approval of the relevant regulatory authorities in China, the Bank issued RMB30,000 million of 2023 China Merchants Bank Co., Ltd. Undated Additional Tier 1 Capital Bonds (the "Perpetual Bonds 2023) in the national inter-bank bond market on 1 December 2023. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2023. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2023 will continue to be outstanding so long as the Bank continues to operate.

(iv) With the approval of the relevant regulatory authorities in China, the Bank issued RMB30,000 million of 2024 China Merchants Bank Co., Ltd. Undated Additional Tier 1 Capital Bonds (Bond Connect) (the "Perpetual Bonds 2024") in the national inter-bank bond market on 5 November 2024. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2024. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2024 will continue to be outstanding so long as the Bank continues to operate.

(v) With the approval of the relevant regulatory authorities in China, the Bank issued RMB20,000 million of 2025 China Merchants Bank Co., Ltd. Undated Additional Tier 1 Capital Bonds (Series 1) (Bond Connect) (the "Perpetual Bonds 2025 Series 1") in the national inter-bank bond market on 29 April 2025. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2025 Series 1. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2025 Series 1 will continue to be outstanding so long as the Bank continues to operate.

(vi) With the approval of the relevant regulatory authorities in China, the Bank issued RMB27,000 million of 2025 China Merchants Bank Co., Ltd. Undated Additional Tier 1 Capital Bonds (Series 2) (Bond Connect) (the "Perpetual Bonds 2025 Series 2", together with Perpetual Bonds 2020, Perpetual Bonds 2021, Perpetual Bonds 2023, Perpetual Bonds 2024, Perpetual Bonds 2025 Series 1, "Perpetual Bonds") in the national inter-bank bond market on 29 May 2025. The unit face value is RMB100. The coupon rate adjusted period is every 5 years from the issuance of the Perpetual Bonds 2025 Series 2. In any coupon rate adjusted period, the coupon rate of the Perpetual Bonds will remain at a prescribed fixed rate. The Perpetual Bonds 2025 Series 2 will continue to be outstanding so long as the Bank continues to operate.

From the fifth anniversary since the issuance of the Perpetual Bonds, the Bank has the right to redeem in whole or in part the Perpetual Bonds on the annual interest payment date (including the interest payment date on the fifth year since the issuance date) subject to the approval of the NFRA and the satisfaction of the redemption preconditions. If, after the issuance, the Perpetual Bonds no longer qualify as additional Tier 1 capital as a result of an unforeseeable change to relevant provisions of supervisory regulation, the Bank has the right to redeem the whole but not part of the Perpetual Bonds. The investors do not have the right to sell back the Perpetual Bonds to the Bank.

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 1 capital instruments of the Bank that rank pari passu with the Perpetual Bonds.

The coupon rate will be reset on each benchmark rate reset date (i.e. the date of every five years from the issuance date). The adjusted coupon rate will be determined based on the benchmark interest rate at adjustment date plus the fixed spread as determined at the time of issuance. The Perpetual Bonds do not contain interest rate step-up mechanism or any other redemption incentives. The Bank has the right to cancel, in whole or in part, distributions on the Perpetual Bonds and any such cancellation will not constitute an event of default. The bond interests are non-cumulative, and any cancelled distribution is not carried to the following year. The Bank will fully consider the interests of bondholders when exercising this right. The Bank can use the cancelled bond interest for the current period at its discretion to repay other due debts. Cancellation of any distributions to the Perpetual Bonds, no matter in whole or in part, will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shares.

46. Other equity instruments *(continued)*

(b) Perpetual Bonds *(continued)*

Notes: *(continued)*

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write off in whole or in part, without the need for the consent of the bond holders, the principal amount of the Perpetual Bonds. A Non-Viability Trigger Event refers to the earlier of the following events: (i) NFRA having concluded that without a write-off, the Bank would become non-viable; (ii) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write-off will not be restored.

The funds raised by the bonds issuances have been used to supplement additional Tier 1 capital of the Bank in accordance with applicable laws and the approval of the relevant authorities.

(c) Relative Information Attributed to Equity Instrument Holders

	2025	2024
Equity attributed to shareholders of the Bank	**1,272,875**	1,226,014
– Equity attributed to ordinary shareholders of the Bank	**1,095,418**	1,045,568
– Equity attributed to other equity instrument holders of the Bank	**177,457**	180,446
Including: Net profit	**6,307**	5,581
Total comprehensive income	**6,307**	5,581
Distributions in current year	**(6,307)**	(5,581)
Cumulative undistributed dividends	**–**	–
Equity attributed to non-controlling interests	**8,024**	7,461
– Equity attributed to non-controlling holders of ordinary shares	**8,024**	7,461

47. Capital reserve

Capital reserve primarily represents share premium of the Bank.

	2025	2024
At 1 January	**65,429**	65,432
Decrease	**(20)**	(3)
At 31 December	**65,409**	65,429

48. Investment revaluation reserve

	2025	2024
Debt instruments measured at FVTOCI: investment revaluation reserve	**15,678**	29,946
Fair value gain on equity instruments designated at FVTOCI	**8,508**	5,916
Remeasurement of defined benefit scheme	**111**	102
Share of other comprehensive income of equity-accounted investees	**(723)**	2,421
Total	**23,574**	38,385

49. Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges. Subsequent recognition of the hedged cash flow is accounted for in accordance with the accounting policy adopted for cash flow hedge in Note 4(5).

50. Surplus reserve

Statutory surplus reserve is calculated according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") and is provided at 10% of the audited profit after tax of the Bank.

	2025	2024
At 1 January	**122,652**	108,737
Appropriation for the year	**13,618**	13,915
At 31 December	**136,270**	122,652

51. General reserve

The general reserve is an integral part of equity. According to the relevant regulations, in addition to the impairment allowances, the Bank maintains a general reserve to make up for unidentified potential losses. The balance of general reserve includes 1.5% of the ending balance of risk assets, country risk provisions allocated as required by regulations for country risk exposures with medium, high, and very high country risk ratings and 2.5% of the income of mutual fund custody businesses. The general reserve of the Group also includes the general reserve maintained by the subsidiaries of the Group according to the applicable laws and regulations of their industry or region.

	2025	2024
At 1 January	**154,932**	141,481
Appropriation for the year	**8,549**	13,451
At 31 December	**163,481**	154,932

52. Profit appropriations

(a) Dividends approved/declared by shareholders

	2025	2024
Ordinary share dividends in 2025 interim, approved and declared: RMB1.013 per share	**25,548**	–
Ordinary share dividends in 2024, approved, declared and distributed: RMB2.000 per share	**50,440**	–
Ordinary share dividends in 2023, approved, declared and distributed: RMB1.972 per share	–	49,734
Total	**75,988**	49,734

(b) Proposed profit appropriations

	2025	2024
Statutory surplus reserve	**13,618**	13,915
General reserve	**8,549**	13,451
Cash dividends for the year-end of 2025: RMB1.003 per share (For the year ended 31 December 2024: RMB2.000 per share)	**25,296**	50,440
Total	**47,463**	77,806

The profit appropriation plan for 2025 is proposed in accordance with the resolution passed at the meeting of the Board of Directors held on 27 March 2026 and will be submitted to the 2025 Annual General Meeting for approval.

53. Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the mainland China.

54. The bank's statement of financial position and changes in the bank's equity

	2025	2024
Assets		
Cash	**14,433**	16,119
Precious metals	**38,517**	9,307
Balances with central banks	**553,779**	555,154
Balances with banks and other financial institutions	**138,171**	173,859
Placements with banks and other financial institutions	**486,065**	376,530
Amounts held under resale agreements	**254,506**	269,987
Loans and advances to customers	**6,662,680**	6,300,684
Financial assets at fair value through profit or loss	**575,922**	546,965
Derivative financial assets	**18,208**	31,815
Debt investments at amortised cost	**2,051,231**	1,908,600
Debt investments at fair value through other comprehensive income	**1,156,344**	922,824
Equity investments designated at fair value through other comprehensive income	**12,065**	11,517
Investments in subsidiaries	**75,645**	61,645
Interests in joint ventures	**19,230**	18,724
Interests in associates	**8,408**	8,042
Investment properties	**1,062**	841
Property and equipment	**29,216**	27,695
Right-of-use assets	**14,746**	16,324
Intangible assets	**1,079**	1,292
Deferred tax assets	**86,376**	80,031
Other assets	**31,414**	40,659
Total assets	**12,229,097**	11,378,614
Liabilities		
Borrowing from central banks	**111,077**	189,934
Deposits from banks and other financial institutions	**903,310**	692,390
Placements from banks and other financial institutions	**61,817**	46,741
Financial liabilities at fair value through profit or loss	**88,317**	34,469
Derivative financial liabilities	**17,647**	31,089
Amounts sold under repurchase agreements	**71,947**	53,887
Deposits from customers	**9,547,148**	8,874,817
Salaries and welfare payable	**30,386**	29,751
Tax payable	**12,447**	9,668
Contract liabilities	**3,535**	4,159
Lease liabilities	**10,787**	12,294
Provisions	**16,829**	16,638
Debt securities issued	**76,397**	156,146
Other liabilities	**102,041**	83,546
Total liabilities	**11,053,685**	10,235,529
Equity		
Share capital	**25,220**	25,220
Other equity instruments	**177,457**	180,446
Capital reserve	**76,056**	76,076
Investment revaluation reserve	**17,838**	36,366
Hedging reserve	**27**	4
Surplus reserve	**136,270**	122,652
General reserve	**150,236**	142,486
Retained earnings	**566,623**	508,957
Proposed profit appropriation	**25,296**	50,440
Exchange reserve	**389**	438
Total equity	**1,175,412**	1,143,085
Total equity and liabilities	**12,229,097**	11,378,614

54. The bank's statement of financial position and changes in the bank's equity *(continued)*

	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2025	25,220	27,468	152,978	76,076	36,366	4	122,652	142,486	508,957	50,440	438	1,143,085
Changes in equity for the year	–	–	(2,989)	(20)	(18,528)	23	13,618	7,750	57,666	(25,144)	(49)	32,327
Net profit for the year	–	–	–	–	–	–	–	–	136,184	–	–	136,184
Other comprehensive income for the year	–	–	–	–	(18,527)	23	–	–	–	–	(49)	(18,553)
Total comprehensive income for the year	–	–	–	–	(18,527)	23	–	–	136,184	–	(49)	117,631
Capital movement from equity holders	–	–	(2,989)	(20)	–	–	–	–	–	–	–	(3,009)
Issue of perpetual bonds	–	–	47,000	(9)	–	–	–	–	–	–	–	46,991
Redemption of perpetual bonds	–	–	(49,989)	(11)	–	–	–	–	–	–	–	(50,000)
Profit appropriations	–	–	–	–	–	–	13,618	7,750	(78,519)	(25,144)	–	(82,295)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	13,618	–	(13,618)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	–	7,750	(7,750)	–	–	–
Dividends paid (Note)	–	–	–	–	–	–	–	–	(25,548)	(50,440)	–	(75,988)
Proposed year-end dividends for the year 2025	–	–	–	–	–	–	–	–	(25,296)	25,296	–	–
Dividends to preference shares	–	–	–	–	–	–	–	–	(996)	–	–	(996)
Distribution to perpetual bonds	–	–	–	–	–	–	–	–	(5,311)	–	–	(5,311)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	(1)	–	–	–	1	–	–	–
At 31 December 2025	25,220	27,468	149,989	76,056	17,838	27	136,270	150,236	566,623	25,296	389	1,175,412

Note: Includes interim dividends on ordinary shares of RMB25,548 million for 2025 and annual dividends on ordinary shares of RMB50,440 million for 2024.

	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Capital reserve	Investment revaluation reserve	Hedging reserve	Surplus reserve	General reserve	Retained earnings	Proposed profit appropriation	Exchange reserve	Total
At 1 January 2024	25,220	27,468	122,978	76,079	14,354	11	108,737	129,085	453,168	49,734	360	1,007,194
Changes in equity for the year	–	–	30,000	(3)	22,012	(7)	13,915	13,401	55,789	706	78	135,891
Net profit for the year	–	–	–	–	–	–	–	–	139,148	–	–	139,148
Other comprehensive income for the year	–	–	–	–	21,990	(7)	–	–	–	–	78	22,061
Total comprehensive income for the year	–	–	–	–	21,990	(7)	–	–	139,148	–	78	161,209
Issue of perpetual bonds	–	–	30,000	(3)	–	–	–	–	–	–	–	29,997
Profit appropriations	–	–	–	–	–	–	13,915	13,401	(83,337)	706	–	(55,315)
Appropriation to statutory surplus reserve	–	–	–	–	–	–	13,915	–	(13,915)	–	–	–
Appropriation to general reserve	–	–	–	–	–	–	–	13,401	(13,401)	–	–	–
Dividends paid for the year 2023	–	–	–	–	–	–	–	–	–	(49,734)	–	(49,734)
Proposed dividends for the year 2024	–	–	–	–	–	–	–	–	(50,440)	50,440	–	–
Dividends to preference shares	–	–	–	–	–	–	–	–	(996)	–	–	(996)
Distribution to perpetual bonds	–	–	–	–	–	–	–	–	(4,585)	–	–	(4,585)
Transfers within equity upon disposal of equity instruments designated at FVTOCI	–	–	–	–	22	–	–	–	(22)	–	–	–
At 31 December 2024	25,220	27,468	152,978	76,076	36,366	4	122,652	142,486	508,957	50,440	438	1,143,085

55. Notes to consolidated cash flow statement

(a) Analysis of the balances of cash and cash equivalents (including assets with original maturity within 3 months):

	2025	2024
Cash and Balances with central banks	**64,591**	46,957
Balance with banks and other financial institutions	**145,435**	158,646
Placements with banks and other financial institutions	**133,750**	111,547
Amounts held under resale agreements	**258,867**	271,447
Debt securities investments and discounted bills	**107,179**	167,930
Total	**709,822**	756,527

(b) 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 flows statement as cash flows from financing activities.

	Negotiable interbank certificates of deposit	Certificates of deposit and other debt instruments issued	Debt securities issued (Note)	Accrued interest on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2025	**89,186**	**47,394**	**90,570**	**1,338**	**26**	**35,782**	**12,778**	**277,074**
Cash changes:								
Proceeds from the issue	**27,230**	**81,221**	**27,237**	**–**	**–**	**19,529**	**–**	**155,217**
Repayment	**(105,950)**	**(77,173)**	**(35,801)**	**–**	**–**	**(36,936)**	**(4,534)**	**(260,394)**
Interest/dividend paid	**–**	**–**	**–**	**(4,678)**	**(57,074)**	**–**	**–**	**(61,752)**
Non-cash changes:								
Additions of lease liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**2,618**	**2,618**
Accrued interest	**–**	**–**	**–**	**4,424**	**–**	**–**	**391**	**4,815**
Dividend declared	**–**	**–**	**–**	**–**	**82,622**	**–**	**–**	**82,622**
Discount or premium amortisation	**793**	**140**	**26**	**–**	**–**	**–**	**–**	**959**
Fair value adjustments	**–**	**–**	**99**	**–**	**–**	**(950)**	**–**	**(851)**
Other	**–**	**–**	**–**	**–**	**–**	**17,661**	**–**	**17,661**
Exchange difference	**–**	**(1,401)**	**(1,168)**	**–**	**–**	**(26)**	**–**	**(2,595)**
At 31 December 2025	**11,259**	**50,181**	**80,963**	**1,084**	**25,574**	**35,060**	**11,253**	**215,374**

	Negotiable interbank certificates of deposit	Certificates of deposit and other debt instruments issued (Note)	Debt securities issued (Note)	Accrued interest on bonds	Dividend payable	Other financial liabilities	Lease liabilities	Total
At 1 January 2024	21,443	34,340	124,372	1,814	26	32,616	12,675	227,286
Cash changes:								
Proceeds from the issue	155,569	61,462	24,995	–	–	9,947	–	251,973
Repayment	(90,160)	(49,187)	(59,989)	–	–	(11,775)	(4,793)	(215,904)
Interest/dividend paid	–	–	–	(5,339)	(55,692)	–	–	(61,031)
Non-cash changes:								
Additions of lease liabilities	–	–	–	–	–	–	4,439	4,439
Accrued interest	–	–	–	4,863	–	–	457	5,320
Dividend declared	–	–	–	–	55,692	–	–	55,692
Discount or premium amortisation	2,334	430	29	–	–	–	–	2,793
Fair value adjustments	–	1	229	–	–	690	–	920
Other	–	–	–	–	–	4,289	–	4,289
Exchange difference	–	348	934	–	–	15	–	1,297
At 31 December 2024	89,186	47,394	90,570	1,338	26	35,782	12,778	277,074

Note: Including financial liabilities designated at fair value through profit or loss.

(c) Significant non-cash transactions

There were no significant non-cash transactions during the years ended 31 December 2025 and 2024.

56. Operating segments

The Group's principal activities are providing corporate and personal banking services, conducting treasury business, providing asset management and other financial services.

The Group manages its businesses by divisions, which are organised by both business lines and geographical location. The reportable segment information is as follows:

(1) Wholesale finance business

The financial services for corporate clients, government agencies, and financial institutions include: loan and deposit service, settlement and cash management service, trade finance and offshore business, investment banking business, inter-bank business such as placement and repurchase, asset custody business, financial market business, and other services.

(2) Retail finance business

The financial services provided to retail customers include: loan and deposit service, bank card service, wealth management services, private banking and other services.

(3) Other Business

Except for the business mentioned above, other business covers investment properties, subsidiaries except for CMB WLB and CMBFL, associates and joint ventures. None of these segments meet any of the quantitative thresholds so far for segment division.

For the purpose of operating segment analysis, external net interest income/expense represents the net interest income earned or expense incurred on banking services provided to external parties. Internal net interest income/expense represents the assumed profit or loss by the internal funds transfer pricing mechanism which has taken into account the structure and market returns of the assets and liabilities portfolio. Cost allocation is based on direct costs attributable to each reporting segment and apportion according to the relevant factors.

The accounting policies of the operating segments are the same as the Group's accounting policies as stated in Note 4. Operating segment income represents income generated from external customers, inter-segment transactions are offset. No customer contributed 10% or more to the Group's revenue for 2025 and 2024. Internal transactions are conducted at fair value.

56. Operating segments *(continued)*

(a) Segment results, assets and liabilities

	Wholesale finance business		Retail finance business		Other business		Total	
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024
External net interest income	**42,077**	30,010	**109,422**	120,186	**64,094**	61,081	**215,593**	211,277
Internal net interest income/(expense)	**41,876**	42,015	**30,971**	28,072	**(72,847)**	(70,087)	**–**	–
Net interest income	**83,953**	72,025	**140,393**	148,258	**(8,753)**	(9,006)	**215,593**	211,277
Net fee and commission income	**15,731**	14,705	**48,487**	47,141	**11,040**	10,248	**75,258**	72,094
Other net income	**38,255**	48,663	**2,108**	1,385	**586**	1,070	**40,949**	51,118
Operating income	**137,939**	135,393	**190,988**	196,784	**2,873**	2,312	**331,800**	334,489
Operating expenses								
– Depreciation of property and equipment and investment properties	**(8,531)**	(8,340)	**(2,680)**	(2,710)	**(402)**	(404)	**(11,613)**	(11,454)
– Depreciation of right-of-use assets	**(1,407)**	(1,490)	**(2,319)**	(2,389)	**(202)**	(228)	**(3,928)**	(4,107)
– Other	**(37,526)**	(38,308)	**(60,361)**	(60,035)	**(5,077)**	(3,746)	**(102,964)**	(102,089)
Reportable segment profit before impairment losses	**90,475**	87,255	**125,628**	131,650	**(2,808)**	(2,066)	**213,295**	216,839
Expected credit losses and impairment losses on other assets	**(5,063)**	301	**(34,952)**	(41,006)	**240**	(114)	**(39,775)**	(40,819)
Share of profits of associates and joint ventures	**–**	–	**–**	–	**5,473**	2,632	**5,473**	2,632
Reportable segment profit before taxation	**85,412**	87,556	**90,676**	90,644	**2,905**	452	**178,993**	178,652
Capital expenditure (note)	**24,911**	31,771	**3,759**	3,298	**285**	207	**28,955**	35,276

	Wholesale finance business		Retail finance business		Other business		Total	
	31 December 2025	31 December 2024	**31 December 2025**	31 December 2024	**31 December 2025**	31 December 2024	**31 December 2025**	31 December 2024
Reportable segment assets	**7,888,999**	7,103,051	**3,688,125**	3,564,804	**1,386,692**	1,383,480	**12,963,816**	12,051,335
Of which: Interest in associates and joint ventures	**–**	–	**–**	–	**32,914**	31,015	**32,914**	31,015
Reportable segment liabilities	**6,756,216**	6,268,091	**4,640,157**	4,118,838	**287,581**	452,085	**11,683,954**	10,839,014

Note: Capital expenditure represents the amount incurred for acquiring segment assets which are expected to be used for more than one year.

56. Operating segments *(continued)*

(b) Reconciliations of reportable segment revenue, profit or loss, assets, liabilities and other material items

	2025	2024
Operating income for reportable segments	**331,800**	334,489
Total profit before income tax for reportable segments	**178,993**	178,652

	31 December 2025	31 December 2024
Assets		
Total assets for reportable segments	**12,963,816**	12,051,335
Goodwill	**9,954**	9,954
Intangible assets	**460**	526
Deferred tax assets	**89,856**	83,674
Other unallocated assets	**6,437**	6,547
Consolidated total assets	**13,070,523**	12,152,036
Liabilities		
Total liabilities for reportable segments	**11,683,954**	10,839,014
Tax payable	**14,713**	11,713
Deferred tax liabilities	**1,115**	1,592
Other unallocated liabilities	**89,842**	66,242
Consolidated total liabilities	**11,789,624**	10,918,561

56. Operating segments *(continued)*

(c) Geographical segments

The Group operates principally in the PRC with branches located in major provinces, autonomous regions and municipalities directly under the central government in the mainland China. The Group also has branches operating in Hong Kong, New York, Singapore, Luxembourg, London and Sydney, subsidiaries operating in Hong Kong, Shenzhen, Shanghai, Beijing and Luxembourg and representative office in Taipei.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the revenue. Segment assets and non-current assets are allocated based on the location of the underlying assets.

To support the Bank's operations and management's assessments, the geographical segments are defined as follows:

- "Headquarters" refers to the Group's Head Office, credit card centres and fund operation centres;
- "Yangtze River Delta region" refers to branches in Shanghai municipality, Zhejiang province and Jiangsu province;
- "Bohai Rim region" refers to branches in Beijing municipality, Tianjin municipality, Shandong province and Hebei province;
- "Pearl River Delta and West Coast region" refers to branches in Guangdong province and Fujian province;
- "Northeast region" refers to branches in Liaoning province, Heilongjiang province and Jilin province;
- "Central region" refers to branches in Henan province, Anhui province, Hunan province, Hubei province, Jiangxi province, Shanxi province and Hainan province;
- "Western region" refers to branches in Sichuan province, Chongqing municipality, Guizhou province, Yunnan province, Shaanxi province, Gansu province, Ningxia Hui Autonomous region, Xinjiang Uyghur autonomous region, Guangxi Zhuang autonomous region, Inner Mongolia autonomous region, Qinghai province and Tibet autonomous region;
- "Overseas" refers to overseas branches in Hong Kong, New York, Singapore, Luxembourg, London, Sydney and representative office in Taipei; and
- "Subsidiaries" refers to subsidiaries wholly owned or controlled by the Group, including CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CMB Europe S.A., CIGNA & CMAM and CMB Investment.

	Total assets		Total liabilities		Non-current assets		Operating income		Profit before tax	
Geographical information	31 December 2025	31 December 2024	31 December 2025	31 December 2024	31 December 2025	31 December 2024	2025	2024	2025	2024
Headquarters	**6,080,367**	5,620,792	**5,064,774**	4,616,716	**64,410**	61,287	**119,836**	134,972	**79,917**	81,021
Yangtze River Delta region	**1,628,335**	1,521,903	**1,608,321**	1,503,109	**5,180**	5,469	**46,742**	44,260	**23,496**	23,957
Bohai Rim region	**1,085,440**	1,002,690	**1,070,350**	988,780	**3,446**	3,845	**35,784**	33,801	**18,810**	18,547
Pearl River Delta and West Coast region	**1,339,581**	1,234,991	**1,312,274**	1,225,218	**3,330**	3,957	**37,107**	35,486	**12,991**	15,054
Northeast region	**173,268**	173,447	**171,332**	171,967	**854**	1,357	**6,707**	6,398	**2,666**	2,109
Central region	**753,308**	733,700	**745,557**	725,410	**2,881**	3,195	**20,319**	19,665	**9,168**	9,750
Western region	**785,155**	751,874	**778,045**	744,561	**2,522**	2,734	**20,557**	20,145	**9,069**	9,275
Overseas	**267,759**	236,567	**276,733**	244,455	**588**	746	**4,559**	4,290	**2,100**	2,635
Subsidiaries	**957,310**	876,072	**762,238**	698,345	**109,390**	107,343	**40,189**	35,472	**20,776**	16,304
Total	**13,070,523**	12,152,036	**11,789,624**	10,918,561	**192,601**	189,933	**331,800**	334,489	**178,993**	178,652

Note: Non-current assets include interests in joint ventures, interests in associates, property and equipment, investment properties, right-of-use assets, intangible assets and goodwill.

57. Assets pledged as security

The following assets have been pledged as collateral for borrowing from central banks and liabilities under repurchase or placement arrangements:

	2025	2024
Borrowing from central banks	**110,679**	189,511
Placements from banks and other financial institutions	**13,353**	6,802
Amounts sold under repurchase agreements	**95,262**	83,747
Total	**219,294**	280,060
Assets pledged		
– Financial assets at fair value through profit or loss	**18,300**	6,921
– Debt investments at amortised cost	**167,971**	165,583
– Debt investments at fair value through other comprehensive income	**22,975**	30,491
– Loans and advances to customers	**24,160**	90,320
Total	**233,406**	293,315

The transactions under repurchase or placement agreements are conducted under terms that are usual and customary to standard borrowing and placing activities.

58. Contingent liabilities and commitments

(a) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card overdraft limits.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out in the following tables. The amounts reflected in the tables for commitments assume that amounts are fully advanced. The amounts reflected in the tables for guarantees and letters of credit represent the maximum potential loss that would be recognised at the end of the reporting period if counterparties default.

	2025			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	**335,235**	**1,113**	**276**	**336,624**
– Financial guarantees	**24,024**	**4**	**3**	**24,031**
– Non-financing letters of guarantees	**311,211**	**1,109**	**273**	**312,593**
Irrevocable letters of credit	**387,271**	**1,179**	**–**	**388,450**
Bills of acceptances	**608,062**	**4,802**	**21**	**612,885**
Irrevocable loan commitments	**206,732**	**1,655**	**12**	**208,399**
– with an original maturity within 1 year (inclusive)	**82,628**	**–**	**2**	**82,630**
– with an original maturity over 1 year	**124,104**	**1,655**	**10**	**125,769**
Credit card unused commitments	**1,718,694**	**15,381**	**–**	**1,734,075**
Other	**108,861**	**478**	**20**	**109,359**
Total	**3,364,855**	**24,608**	**329**	**3,389,792**

58. Contingent liabilities and commitments *(continued)*

(a) Credit commitments *(continued)*

	2024			
	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit-impaired)	Total
Irrevocable guarantees	326,654	1,983	582	329,219
– Financial guarantees	33,109	754	293	34,156
– Non-financing letters of guarantees	293,545	1,229	289	295,063
Irrevocable letters of credit	304,725	1,249	–	305,974
Bills of acceptances	581,176	3,054	360	584,590
Irrevocable loan commitments	162,159	415	96	162,670
– with an original maturity within 1 year (inclusive)	45,039	3	1	45,043
– with an original maturity over 1 year	117,120	412	95	117,627
Credit card unused commitments	1,588,137	32,399	5	1,620,541
Other	96,525	708	20	97,253
Total	3,059,376	39,808	1,063	3,100,247

As at 31 December 2025, the Group's irrevocable letters of credit included sight letters of credit of RMB20,231 million (31 December 2024: RMB20,139 million), usance letters of credit of RMB18,087 million (31 December 2024: RMB18,230 million), and other commitments of RMB350,132 million (31 December 2024: RMB267,605 million).

Irrevocable loan commitments include credit limits granted to offshore customers by overseas branches and subsidiaries, and onshore and offshore syndicated loans etc.

Apart from the irrevocable loan commitments, the Group had loan commitments of RMB5,708,716 million at 31 December 2025 (31 December 2024: RMB5,385,015 million) which are unconditionally cancellable by the Group or automatically cancellable due to deterioration in the creditworthiness of the borrower as stipulated in respective lending agreements. The Group does not assume any risks on the unused credit limits for these loan customers. As a result, such balances are not included in the above credit commitments.

	2025	2024
Credit risk weighted amounts of contingent liabilities and commitments	**1,024,984**	846,851

Since 1 January 2024, the Group calculated the credit risk-weighted assets amount of its contingent liabilities and commitments in accordance with the requirements of *Rules on Capital Management of Commercial Banks* issued by the NFRA. The amount within the scope approved by the former CBIRC in April 2014 is calculated using the Internal Ratings-Based Approach, and the Weighted Approach is used to cover those amounts not eligible for the Internal Ratings-Based Approach.

58. Contingent liabilities and commitments *(continued)*

(b) Capital commitments

The authorised capital commitments of the Group were as follows:

	2025	2024
Contracted for	**200**	177
Authorised but not contracted for	**201**	216
Total	**401**	393

The lease commitments of the Group as a lessor are detailed in note 58 (e).

(c) Outstanding litigations

At 31 December 2025, the Bank or other group entities was a defendant in certain outstanding litigations with total gross claims of RMB1,476 million (2024: RMB2,024 million). The Group considers that no material losses would be incurred by the Group as a result of these outstanding litigations.

(d) Redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to make advances to bond holders if the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest to the bond holders are calculated in accordance with relevant requirements set by the MOF or the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	2025	2024
Redemption obligations	**36,693**	30,807

The Group expects that the amount of redemption before the maturity date of these government bonds through the Group will not be material.

(e) Lease commitments

Operating lease commitments and financial lease commitments where the Group is a lessor at the end of the reporting period are as follows:

	2025	2024
Operating lease commitments	**19,779**	14,321
Financial lease commitments	**40,910**	37,503
Total	**60,689**	51,824

59. Transactions on behalf of customers

(a) Entrusted lending business

The Group's entrusted lending business refers to activities where principals such as government departments, business entities and individuals provide capital for loan advances through the Group to their specified targets on their behalf in accordance with specific terms and conditions, with the help of the Group in monitoring loan usage and seeking loan recovery. The entrusted lending business does not expose the Group to any credit risk. As instructed by these principals, the Group holds and manages underlying assets and liabilities only in the capacity of an agent, and charges handling fees for related services.

Entrusted lending are not assets of the Group and are not recognised in the consolidated statement of financial position. Income received and receivable for providing these services are recognised in the consolidated statement of profit or loss as fee and commission income.

At the end of the reporting period, the entrusted assets and liabilities were as follows:

	2025	2024
Entrusted loans	**265,483**	245,897
Entrusted funds	**(265,483)**	(245,897)

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers by the Bank and CMBWM. The funds obtained from wealth management services are invested in investment products, including government bonds, policy bank bonds and short term corporate debt instruments. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns commission which represents the charges on customers in relation to the provision of custody, sales and management services.

The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the consolidated statement of financial position. The funds received from customer for wealth management business that yet to be invested are recorded under other liabilities.

At the end of the reporting period, funds received from customers under unconsolidated wealth management services were RMB2,453,150 million as at 31 December 2025 (31 December 2024: RMB2,298,278 million).

(c) Entrusted management of insurance funds

The entrusted management of insurance funds mainly refers to the business that the Group carries out investment activities on funds entrusted by insurance companies according to the regulatory policies and the investment guidelines from insurance companies, and charges fees for providing such services.

At the end of the reporting period, the balances of entrusted funds were as follows:

	2025	2024
Entrusted management of insurance funds	**233,313**	189,647

60. Risk management

(a) Credit risk

Credit risk represents the potential losses that may arise from the failure of a counterparty or a debtor to meet its obligation or commitment to the Group. Credit risk increases when all counterparties are concentrated in a single industry or a geographical region, as different counterparties in the same region or industry may be affected by the same economic factors, which may eventually affect their repayment abilities.

The Group designs its organisation framework, credit policies and processes with an objective to identify, evaluate and manage its credit risk effectively. The Risk and Capital Management Committee, set up and appointed by the board of directors, is responsible for supervising and evaluating the set-up, organisational structure, work process and effectiveness of various risk management functions.

With respect to daily operations, the Risk Management Department, as directed by the Risk and Capital Management Committee under Board of Directors, participates in, coordinates, and monitors the work of other risk management functions, including each business unit and the Legal and Compliance Department. The Group manages credit risk including the credit and investment business of pre-lending (investment) evaluations, interim-lending (investment) reviewing and post-lending (investment) monitoring.

In accordance with the Implementation Rules on Expected Credit Loss Approach of Commercial Banks, the Group uses the expected credit loss model to provide for credit risk losses for on-balance sheet financial assets that bear credit risk at amortised cost or at fair value through other comprehensive income, as well as off-balance sheet credit risk items such as loan commitments and financial guarantee contracts.

With respect to the credit risk management of wholesale financial business, the Group optimizes credit and investment policies, continually enhances the standards on acceptance for corporate, interbank and institutional clients, and implements in key risk areas to improve the quality of credit exposure.

With respect to credit risk management of retail financial business, the Group mainly relies on the credit assessment of applicants as the basis for loan approval, which takes into consideration the income level, credit history, and repayment ability of the applicant. The Group monitors post-lending conditions by focusing on borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, the Group starts the collection process according to standard retail loans collection procedures.

The Group requests customers to provide collateral and guarantees when necessary. The Group has formulated systems or guidelines for the access of guarantors or collaterals, the approval of guarantee amounts, the establishment and follow-up management of guarantees. The guarantor's or collateral's ability and willingness to guarantee will be reviewed regularly to ensure that it meets the requirements of relevant laws and regulations and can effectively mitigate risks.

In respect of asset quality classification, the Group improves the classification system and refines the classification method based on Rules on Risk Classification of Financial Assets of Commercial Banks, combined with actual situation. On the basis of Five-category Classification, the Group categorises its loans on a ten-grade loan classification basis to refine internal risk classification management (normal (grades 1-5), special mention (grades 1-2), substandard, doubtful and loss).

The risks involved in contingent liabilities and commitments are essentially the same as the credit risk involved in loans and advances to customers. These transactions are, therefore, subject to the same credit application, post-lending monitoring and collateral requirements as for customers applying for loans.

Concentration of credit risk: when certain number of customers carry out the same business activities, locate in the same geographical region or their industries share similar economic characteristics, their ability to meet their obligations may be affected by the same economic factors. The level of concentration of credit risk reflects the sensitivity of the Group's operating result to a specific industry or geographical region. To prevent concentration of credit risk, the Group has formulated a limit management policy to monitor and analyse its loan portfolio.

Analysis of loans and advances by industry and loan portfolio are presented in Note 22.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Internal credit risk rating

The Group classifies credit risk based on probability of default. The internal credit risk rating is based on the model-forecasted default risk, taking into consideration qualitative and quantitative factors such as borrower's financial situation, debt pressure, industry characteristics, etc.

(ii) Significant increase in credit risk

As describe in Note 4(5), the Group recognises lifetime ECL if there are significant increases in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument and other items at the reporting date with that at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's internal credit risk rating (Note 60(a)(i)), as well as internal early warning signal, the result of 5-tier classification and overdue information. The Group regularly reviews whether the evaluation criteria are applicable to the current situation.

For wholesale business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the internal credit risk rating of the customer has been downgraded to certain level; the early warning signal of the customer has reached a certain level; or the customer has other significant risk signals identified by the Group.

For retail and credit card business, credit risk is considered as significantly increased if any of the following conditions is met: the 5-tier classification is special mention; more than 30 days (inclusive) overdue; the customer or the debt has credit risk early warning signal; or the customer has other significant risk signals identified by the Group.

A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capability to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For loan commitments and financial guarantees, the date when the commitment becomes irrevocable is considered as the initial recognition date.

The Group considers that a debt instrument is impaired and classified as stage 3 when the debt instrument is more than 90 days (inclusive) overdue or the 5-tier classification of this debt instrument is substandard, doubtful or loss (these three categories include debt instruments with more than 90 days (inclusive) overdue).

(iii) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD): an estimate of the likelihood of default over 12 months or lifetime horizon;
- loss given default (LGD): the proportion of the loss arising on default to the exposure at default;
- exposure at default (EAD): the risk exposure on a debt.

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Incorporation of forward-looking information

The Group divides financial assets into different asset groups based on their different risk characteristics. According to the risk characteristics of the asset group, the Group collects external data released by authoritative institutions and internal risk data without undue cost or effort for modelling. Apart from the common economic indicators such as Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Producer Price Index and Broad Money Supply, various other categories of indicators such as industry index, interest and exchange rate, and survey index are also included. Based on statistical analysis and expert judgements, the Group sets up multiple forward-looking scenarios to predict macroeconomic indicators and risk parameters. The Group sets the forecasts issued by external authoritative institutions as the forecasts of economic indicators under the baseline scenario, with reference to the professionals of the Bank and the outputs of the models. For the forecasts of economic indicators under the remaining scenarios, the Group will refer to the actual historical data for analysis and forecast. Taking GDP (year-on-year growth rate) and CPI (month-on-month increase) as an example, the forecasts for the next year adopted by the Group for 2025 under the baseline scenario were set at round 5% and 0.5% respectively.

Combined with quantitative measurement and expert judgement, the Group sets the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the other scenarios as supplement. The weight of the baseline scenario of the Group as at 31 December 2025 is the highest. According to the sensitivity test results of the Group, when the weighting of the optimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2025 will decrease by approximately 2.9% compared to the current result (at 31 December 2024: will decrease by approximately 2.6%). When the weighting of the pessimistic scenario increases by 10% and the weighting of the baseline scenario decreases by 10%, the ECL amount at 31 December 2025 will increase by approximately 4.2% compared to the current result (at 31 December 2024: will increase by approximately 4.6%).

The Group periodically forecasts macroeconomic indicators, and calculates the ECL based on a weighted 12-month expected credit losses (stage 1) or a weighted lifetime expected credit losses (stage 2 and stage 3).

(v) Groupings based on shared risk characteristics

The Group divides the primary business into wholesale business, retail business and credit card business. The models are divided based on shared risk characteristics, and the reference indicators include the 5-tier classification, business type and collateral type.

(vi) Maximum exposure

The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements is the carrying amount of the relevant financial instruments as disclosed in the consolidated statement of financial position and the contract amount of the off balance sheet items disclosed in Note 58(a). At 31 December 2025, the amount of the Group's maximum credit risk exposure was RMB16,093,396 million (31 December 2024: RMB14,922,470 million).

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(vii) Renegotiated loans and advances to customers

The Group adopts the measures for Risk Classification of Financial Assets of Commercial Banks (CBIRC PBC Order [2023] No.1) for its rescheduled loans and advances to customers.

The carrying amount of loans and advances that had been renegotiated was RMB28,307 million as at 31 December 2025 (31 December 2024: RMB24,826 million).

(viii) Non-performing loans

Under the 5-tier loan classification system, non-performing loans of the Group are divided into substandard loans, doubtful loans and loss loans. As at 31 December 2025, the Group had the balance of non-performing loans of RMB68,206 million (31 December 2024: RMB65,610 million).

(ix) Credit quality of bond investments rating results

At the end of the reporting period, the analysis of the credit quality of bond investments by designated external credit assessment institution, is as follows:

	2025	2024
Impaired gross amount of debt investments	**556**	693
Impairment allowances	**(499)**	(505)
Subtotal	**57**	188
Neither overdue nor impaired		
AAA	**3,281,531**	2,846,729
AA+ to AA-	**113,964**	89,538
A+ to A-	**238,754**	177,286
Lower than A-	**31,857**	25,609
Unrated	**50,932**	56,601
Impairment allowances	**(7,850)**	(7,985)
Subtotal	**3,709,188**	3,187,778
Total	**3,709,245**	3,187,966

Notes:

(i) Bonds issued by the governments and policy banks held by the Group amounted to RMB3,115,683 million as at 31 December 2025 (31 December 2024: RMB2,599,093 million).

(ii) The impairment allowances above is for debt investments at amortised cost only.

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(x) Collateral

An estimate of the fair value of collateral and other credit enhancements held against financial assets that are overdue but not impaired is as follows:

	2025	2024
Estimate of the fair value of collateral and other credit enhancements held against following financial assets		
– Loans and advances to customers	**16,125**	17,545

(xi) Movements of loans and advances and debt investments measured at amortised cost

Loans and advances measured at amortised cost:

	2025			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	**6,030,395**	**204,858**	**65,610**	**6,300,863**
Net changes for the year	**433,820**	**(33,422)**	**(5,001)**	**395,397**
Transfer to				
– Stage 1	**32,719**	**(32,616)**	**(103)**	**–**
– Stage 2	**(145,667)**	**146,425**	**(758)**	**–**
– Stage 3	**(32,927)**	**(31,598)**	**64,525**	**–**
Write-offs	**–**	**–**	**(56,067)**	**(56,067)**
Balance as at the end of the year	**6,318,340**	**253,647**	**68,206**	**6,640,193**

	2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	5,686,659	165,105	61,560	5,913,324
Net changes for the year	461,401	(25,764)	5,056	440,693
Transfer to				
– Stage 1	45,122	(44,949)	(173)	–
– Stage 2	(132,857)	133,368	(511)	–
– Stage 3	(29,930)	(22,902)	52,832	–
Write-offs	–	–	(53,154)	(53,154)
Balance as at the end of the year	6,030,395	204,858	65,610	6,300,863

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(xi) Movements of loans and advances and debt investments measured at amortised cost *(continued)*

Debt investments at amortised cost:

	2025			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	**1,927,893**	**1,790**	**26,237**	**1,955,920**
Net changes for the year	**182,101**	**475**	**(1,564)**	**181,012**
Transfer to				
– Stage 1	**1**	**(1)**	**–**	**–**
– Stage 2	**(2,317)**	**2,323**	**(6)**	**–**
– Stage 3	**–**	**(1)**	**1**	**–**
Write-offs	**–**	**–**	**(232)**	**(232)**
Balance as at the end of the year	**2,107,678**	**4,586**	**24,436**	**2,136,700**

	2024			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balance as at the beginning of the year	1,738,945	1,517	27,548	1,768,010
Net changes for the year	189,931	(708)	(1,313)	187,910
Transfer to				
– Stage 1	1	(1)	–	–
– Stage 2	(984)	984	–	–
– Stage 3	–	(2)	2	–
Write-offs	–	–	–	–
Balance as at the end of the year	1,927,893	1,790	26,237	1,955,920

60. Risk management *(continued)*

(a) Credit risk *(continued)*

(xii) Credit quality of financial instruments

The staging analysis for loans and advances to customers and debt investments at amortised cost as at the reporting date are disclosed in note 22, note 23(b) and note 60(a)(xi) respectively. The staging analysis for credit commitments and the expected credit losses allowances of financial guarantees and loan commitments are disclosed in notes 58(a) and 42 respectively. The staging analysis for other financial instruments is as follows:

	2025							
	Principal				Expected credit losses			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	559,967	–	–	559,967	–	–	–	–
Balances with banks and other financial institutions	199,951	3	1	199,955	(445)	(1)	(1)	(447)
Placements with banks and other financial institutions	504,938	–	–	504,938	(1,197)	–	–	(1,197)
Amounts held under resale agreements	259,198	–	140	259,338	(526)	–	(140)	(666)
Debt investments at FVTOCI	1,325,003	245	52	1,325,300	(6,027)	(515)	(1,245)	(7,787)

	2024							
	Principal				Expected credit losses			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL – not credit-impaired)	Stage 3 (Lifetime ECL – credit-impaired)	Total
Balances with central banks	557,166	–	–	557,166	–	–	–	–
Balances with banks and other financial institutions	220,537	1	11	220,549	(818)	(1)	(11)	(830)
Placements with banks and other financial institutions	406,817	–	–	406,817	(1,126)	–	–	(1,126)
Amounts held under resale agreements	271,903	–	140	272,043	(606)	–	(140)	(746)
Debt investments at FVTOCI	1,082,186	209	182	1,082,577	(7,339)	(21)	(1,260)	(8,620)

Note: The balances disclosed above do not include accrued interest.

60. Risk management *(continued)*

(b) Market risk

Market risk refers to the risk of loss due to changes in observable market factors such as interest rates, exchange rates, commodity prices and stock prices, resulting in changes in the fair value or future cash flows of the Group's financial instruments. Interest rate and foreign exchange rate are the two major market risk factors relevant to the Group. The Group is exposed to market risk through the financial instruments under the trading book and banking book. The trading book comprises financial instruments, foreign exchange and commodity positions held for trading purposes or to hedge risks of other items in the trading book, as well as other instruments recognized by National Financial Regulatory Administration. Instruments other than those in the trading book shall be classified into the banking book.

(i) Foreign exchange risk

Foreign exchange risk arises from the holding of foreign currency assets, liabilities and equity items, and the foreign currency and foreign currency derivative positions, which expose the Group to potential losses in the event of unfavourable foreign exchange rate movement. The financial assets and liabilities of the Group are denominated in RMB, and the other currencies are mainly in USD and HKD. The Group segregates the policy setting, execution and supervision of foreign exchange risk management, and establishes a foreign currency risk management governance structure. This structure specifies the roles, responsibilities and reporting lines of the Board of Directors, senior management, designated committees and relevant departments of the Bank in the management of foreign exchange risk. The Group is prudent in its foreign exchange risk appetite, and would not voluntarily take foreign exchange risk, which suits the current development stage of the Group. The current foreign exchange risk management policies and procedures of the Group meet the regulatory requirements and the requirements of the Group.

(1) Trading book

The Group has established a market risk structure and system of the trading book, which covers exchange rate risk, to quantify the exchange rate risk of the trading book to facilitate centralised management. The structure, process and method of exchange rate risk management of trading book are consistent with that of the interest rate risk of trading book.

The Group adopts quantitative indicators such as exposure indicator, market value at risk indicator (VaR, covers interest rate, foreign exchange rate, and commodity risk factors), exchange rate scenario stress test loss index, exchange rate sensitivity index, and cumulative loss index in its management of foreign exchange risk. The management methods include delegation, setting limits, daily monitoring and continuous reporting, etc.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(2) Banking book

The Group's foreign exchange risk under the banking book is centrally managed by the Head Office. The Asset and Liability Management Department, as the treasurer of the Bank is in charge of the banking book foreign exchange risk management. The Internal Audit Department is responsible for auditing this. The treasurer is responsible for managing the foreign exchange risk under the banking book with a prudent approach and compliance with the regulatory requirements, and through approaches such as transaction limits and adjustment of plans.

The banking book foreign exchange risk of the Group arises from the mismatch of the non-RMB financial assets and liabilities. The Group stringently monitors its foreign exchange risk exposures to control it within an acceptable range.

The Group has adopted foreign exchange exposure analysis, scenario simulation analysis and stress testing for the measurement and analysis of foreign exchange risk. The Group regularly measures and analyses the foreign exchange risk exposure fluctuations, monitors and reports foreign exchange risk on a monthly basis under the limit control framework, and adjusts the foreign exchange exposures based on the trend of foreign exchange rate movements to mitigate the foreign exchange risk on its banking book.

The Group continues to strengthen banking book exchange rate risk monitoring and authorisation management of limits to ensure that risks are controlled within a reasonable range.

(3) Assets and liabilities by original currency are shown as follows:

	2025						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	537,480	29,542	2,022	5,731	574,775	4,227	2,252
Amounts due from banks and other financial institutions	804,487	116,591	29,618	11,225	961,921	16,682	32,986
Loans and advances to customers	6,718,620	120,400	135,616	20,449	6,995,085	17,227	151,033
Financial investments and derivative financial assets	3,569,334	441,253	73,574	35,272	4,119,433	63,136	81,938
Other assets (note (i))	292,968	120,533	3,300	2,508	419,309	17,246	3,675
Total	11,922,889	828,319	244,130	75,185	13,070,523	118,518	271,884
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	1,225,028	120,910	12,927	7,199	1,366,064	17,300	14,397
Deposits from customers	9,061,882	521,440	189,375	63,433	9,836,130	74,609	210,904
Financial liabilities at FVTPL and derivative financial liabilities	134,278	4,212	620	41	139,151	602	690
Debt securities issued	66,570	68,123	3,752	3,958	142,403	9,747	4,179
Other liabilities (note (i))	247,091	58,936	8,158	(8,309)	305,876	8,434	9,085
Total	10,734,849	773,621	214,832	66,322	11,789,624	110,692	239,255
Net position	1,188,040	54,698	29,298	8,863	1,280,899	7,826	32,629
Off-balance sheet position:							
Credit commitments (note (ii))	3,229,204	117,920	22,968	19,700	3,389,792	16,872	25,579
Derivatives (nominal amounts):							
– forward purchased	709,400	716,934	54,308	39,855	1,520,497	102,580	60,482
– forward sold	(627,659)	(726,163)	(49,904)	(39,851)	(1,443,577)	(103,901)	(55,577)
– net currency option position	(60,542)	22,487	9,685	16,210	(12,160)	3,217	10,786
Total	21,199	13,258	14,089	16,214	64,760	1,896	15,691

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(3) Assets and liabilities by original currency are shown as follows: (continued)

	2024						
	In RMB Equivalent					Main original currency	
	RMB	USD	HKD	Other	Total	USD	HKD
Assets							
Cash and balances with central banks	535,838	27,834	2,068	8,048	573,788	3,813	2,200
Amounts due from banks and other financial institutions	721,600	139,379	25,582	10,146	896,707	19,096	27,215
Loans and advances to customers	6,342,999	123,464	135,150	21,337	6,622,950	16,916	143,780
Financial investments and derivative financial assets	3,264,823	334,397	51,019	24,665	3,674,904	45,816	54,277
Other assets (note (i))	261,120	103,735	13,681	5,151	383,687	14,213	14,553
Total	11,126,380	728,809	227,500	69,347	12,152,036	99,854	242,025
Liabilities							
Borrowing from central banks and amounts due to banks and other financial institutions	1,061,944	123,045	15,668	6,360	1,207,017	16,858	16,668
Deposits from customers	8,427,705	445,503	161,032	62,347	9,096,587	61,038	171,314
Financial liabilities at FVTPL and derivative financial liabilities	90,565	8,258	168	53	99,044	1,132	179
Debt securities issued	141,431	69,991	7,610	2,551	221,583	9,589	8,096
Other liabilities (note (i))	263,383	19,854	9,253	1,840	294,330	2,720	9,845
Total	9,985,028	666,651	193,731	73,151	10,918,561	91,337	206,102
Net position	1,141,352	62,158	33,769	(3,804)	1,233,475	8,517	35,923
Off-balance sheet position:							
Credit commitments (note (ii))	2,949,528	111,092	21,153	18,474	3,100,247	15,221	22,504
Derivatives (nominal amounts):							
– forward purchased	734,725	730,591	30,788	46,870	1,542,974	100,097	32,754
– forward sold	(670,870)	(778,692)	(13,120)	(41,155)	(1,503,837)	(106,688)	(13,958)
– net currency option position	(80,894)	68,451	(12)	882	(11,573)	9,378	(13)
Total	(17,039)	20,350	17,656	6,597	27,564	2,787	18,783

Notes:

(i) Accrued interest of financial assets and liabilities are included in "other assets" and "other liabilities" respectively.

(ii) Credit commitments may expire unused at the end of the commitment period, therefore the above net position does not represent the future cash outflows.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Foreign exchange risk *(continued)*

(4) Sensitivity analysis

Under the existing managed floating exchange rate regime, the Group uses sensitivity analysis to measure the potential effect of changes in foreign currency exchange rates on the Group's net profit and equity. The following table sets forth the results of the Group's foreign exchange risk sensitivity analysis on the assets and liabilities of all foreign currencies involved at 31 December 2025 and 31 December 2024.

	2025		2024	
Change in foreign currency exchange rate	**Down by 1%**	**Up by 1%**	Down by 1%	Up by 1%
(Decrease)/increase in net profit	**(213)**	**213**	(112)	112
(Decrease)/increase in equity	**(541)**	**541**	(378)	378

Actual changes in the Group's net profit and equity resulting from increases or decreases in foreign exchange rates may be different from the results of this sensitivity analysis.

(ii) Interest rate risk

Interest rate risk arises from unfavourable changes in interest rates and maturity profiles which may result in loss to the income and decline in market value of financial instruments and positions held by the Group.

(1) Trading book

According to the basic principles of risk management, the Group has built and continuously improved the market risk management system, and established the management process of market risk identification, measurement, monitoring, control and reporting, covering interest rate risk, exchange rate risk, commodity and other risks involved in the trading book business. Under the market risk preference formulated by the Board of Directors, the Group manages the trading book by clearly identifying, accurately measuring and effectively managing the trading book market risk, to ensure that the trading book risk exposure is within an acceptable range and achieves a reasonable balance of risk and return. The Group constantly improves the risk-adjusted return level to maximise the shareholders' value.

The trading book market risk governance organisation structure defines the responsibilities, division of labour and reporting lines of the Board of Directors, Risk and Capital Management Committee under the Board of Directors, senior management and relevant departments of the Bank, and safeguards the achievement of management objectives. The Market Risk Management Department is responsible for the Group's trading book market risk, and undertakes the task of risk policy formulation and management.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(1) Trading book (continued)

According to the business practices and market risk governance organisation structure, the Group establishes the trading book market risk limit management system. A top-level limit is set based on the risk appetite determined by the Board of Directors, and is transmitted from top to bottom level by level. Within the scope of their authorisation, management departments at all levels allocate and set limits according to risk characteristics, product types and trading strategies, etc. The business departments carry out the business according to the authorisation and limit requirements, and the supervisory and administrative departments at all levels continuously monitor and report according to the limit management regulations.

The trading book market risk management adopts the scale index, stop loss index, sensitivity index, value at risk index, stress test index and other risk measurement indices as the limit index, and sets the limit value by comprehensively considering the risk appetite, risk tolerance, business operation strategy, risk return, management conditions and other factors.

The Group uses valuation, sensitivity analysis, value-at-risk analysis, stress test and other measurement methods to identify and quantify risk factors in the interest rate market. The Group applies the market risk measurement model in its daily risk management and takes market risk measurement as the basis for business planning, resource allocation, financial market business operation and risk management.

(2) Banking book

According to the external regulatory requirements and the internal banking book interest rate risk management policy, the Group has built and continuously improved the banking book interest rate risk management system, established the management process of interest rate risk identification, measurement, monitoring, control and reporting, and covered all on – and off-balance sheet business of the Bank. The Group clearly identifies, accurately measures and effectively manages the interest rate risk of the banking book under the interest rate risk appetite of the banking book formulated by the Board of Directors to ensure that the net interest income (NII) and the economic value of shareholders' equity (EVE) stable within the acceptable range of the banking book risk.

The Group's governance and management framework specifies the responsibilities, division of labor and reporting lines of the Board of Directors, senior management, designated committees and relevant departments to ensure the effectiveness of interest rate risk management. Interest rate risk of the banking book is managed by the Asset and Liability Management Department of the Head Office. Internal Audit Department of the Head Office is responsible for independent audit.

The preference of the Group in respect of the interest rate risk in the banking book is prudent. The Group establishes a banking book interest rate risk limit management system based on the actual business and the banking book interest rate risk governance structure. The quantitative index of risk appetite set by the Board of Directors is the highest-level limit, which is transmitted through the limit level from top to bottom and level by level. Within the scope of their authorisation, all levels set limits and continuously monitor and report according to risk tolerance, business operation strategy and risk management objectives. The Group formulates interest rate risk management strategies and regularly tracks and reviews them based on risk measurement and monitoring results and in combination with macroeconomic and interest rate environment. The key measures for risk management of the Group include the adjustment in structure of on-balance-sheet assets and liabilities business and off-balance-sheet derivative to offset risk exposure.

The Group has mainly adopted scenario simulation analysis, re-pricing exposure analysis and duration analysis for the regular measurement and analysis of interest rate risk under the banking book. Stress test is a form of scenario simulation used to assess the changes in net interest income at risk and economic value of equity indicators when there is an extreme fluctuation in interest rates. The Group measures and monitors the interest rate risk of banking book through the asset-liability management system, and the main models and parameter assumptions used in the measurement process are independently verified before being adopted and are regularly reviewed and verified after being adopted. The various indicators of interest rate risk during the reporting period showed that the interest rate risk of banking book of the Bank was generally stable and stay within the set limits.

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the next expected repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period.

	2025					
	Total	3 months or less (including overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	574,775	549,425	–	–	–	25,350
Amounts due from banks and other financial institutions	961,921	653,640	280,113	27,551	617	–
Loans and advances to customers (note (i))	6,995,085	3,659,517	2,701,575	573,084	60,909	–
Financial investments and derivative financial assets	4,119,433	527,990	504,303	1,463,072	1,546,313	77,755
Other assets (note (ii))	419,309	–	–	–	–	419,309
Total assets	13,070,523	5,390,572	3,485,991	2,063,707	1,607,839	522,414
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,366,064	1,123,446	215,203	27,109	306	–
Deposits from customers	9,836,130	6,737,206	1,716,946	1,338,552	41,544	1,882
Financial liabilities at FVTPL and derivative financial liabilities	139,151	–	–	–	–	139,151
Lease liabilities	11,253	1,011	2,694	6,696	852	–
Debt securities issued	142,403	46,997	41,156	51,571	2,679	–
Other liabilities (note (ii))	294,623	–	–	3,185	–	291,438
Total liabilities	11,789,624	7,908,660	1,975,999	1,427,113	45,381	432,471
Asset-liability gap	1,280,899	(2,518,088)	1,509,992	636,594	1,562,458	89,943

60. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Interest rate risk *(continued)*

(3) The following tables indicate the next expected repricing dates (or maturity dates whichever are earlier) for assets and liabilities at the end of the reporting period. (continued)

	2024					
	Total	3 months or less (including overdue)	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Non-interest bearing
Assets						
Cash and balances with central banks	573,788	547,644	–	–	–	26,144
Amounts due from banks and other financial institutions	896,707	678,771	193,834	24,089	13	–
Loans and advances to customers (note (i))	6,622,950	2,921,730	3,085,793	553,747	61,680	–
Financial investments and derivative financial assets	3,674,904	487,488	510,412	1,287,820	1,309,218	79,966
Other assets (note (ii))	383,687	–	–	–	–	383,687
Total assets	12,152,036	4,635,633	3,790,039	1,865,656	1,370,911	489,797
Liabilities						
Borrowing from central banks and amounts due to banks and other financial institutions	1,207,017	1,008,346	187,090	11,192	389	–
Deposits from customers	9,096,587	6,367,726	1,418,427	1,285,129	22,696	2,609
Financial liabilities at FVTPL and derivative financial liabilities	99,044	–	5,691	–	–	93,353
Lease liabilities	12,778	1,055	2,855	7,705	1,163	–
Debt securities issued	221,583	115,232	54,627	44,330	7,394	–
Other liabilities (note (ii))	281,552	4	–	3,033	–	278,515
Total liabilities	10,918,561	7,492,363	1,668,690	1,351,389	31,642	374,477
Asset-liability gap	1,233,475	(2,856,730)	2,121,349	514,267	1,339,269	115,320

Notes:

(i) For loans and advances to customers, the "3 months or less" category includes overdue amounts as at 31 December 2025 and 31 December 2024 net of allowances for impairment losses. Overdue amounts represent loans of which the whole or part of the principals or interests were overdue.

(ii) Accrued interest of financial assets and liabilities are included in "other assets" and "other liabilities" respectively.

(4) Sensitivity analysis

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on the assets and liabilities as at 31 December 2025 and 31 December 2024.

	2025		2024	
Change in interest rates (in basis points)	**Up by 25**	**Down by 25**	Up by 25	Down by 25
(Decrease)/increase in net interest income	**(4,648)**	**4,648**	(4,713)	4,713
(Decrease)/increase in equity	**(13,337)**	**13,648**	(10,793)	10,931

The above-mentioned interest rate sensitivity analysis shows the changes in net interest income and equity in the next 12 months under the assumption of changes in interest rates in the above table. As the actual situation and assumptions may be different, the actual changes in the Group's net interest income and equity caused by the increase or decrease in interest rates may be different from the results of this sensitivity analysis.

60. Risk management *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group is not able to obtain sufficient funds at a reasonable cost and in a timely manner to deal with the appreciation of asset growth, to meet its maturity obligations, or to perform other payment obligations.

According to the liquidity risk management policy, the Group segregates the policy setting, execution and supervision of liquidity risk management, and puts in place a governance framework which defines the roles, responsibilities and reporting lines of the Board of Directors, senior management, designated committees and relevant departments to ensure the effectiveness of liquidity risk management. The Board of Directors takes the ultimate responsibility for liquidity risk management, ensures the Group can effectively identify, measure, monitor and control liquidity risk and is responsible for determining liquidity risk level which the Group can tolerate. The Risk and Capital Management Committee under the Board of Directors shall perform its responsibilities in liquidity risk management according to the requirements of the Board of Directors. The Audit Committee is responsible for the supervision and evaluation of the performance of the Board of Directors and senior management in liquidity risk management and reports to the general meeting of shareholders. The senior management is responsible for the liquidity risk management work and develops a timely understanding of changes in liquidity risks, and reports the same to the Board of Directors. The Asset and Liability Management Committee (ALCO) exercises specific liquidity risk management functions as required by the senior management. The Assets and Liabilities Management Department of the Head Office is a day-to-day working body of ALCO and responsible for various concrete management work including formulating policies and procedures relating to liquidity risk management and conducting qualitative and quantitative analysis of liquidity risk. The Internal Audit Department of the Head Office conducts comprehensive audit on the Group's liquidity risk management.

The Group is prudent in managing its liquidity risk, which suits its current development stage. The Group's existing liquidity risk management policies and systems meet regulatory requirements and suit its own management needs.

The Group's liquidity risk management is coordinated by the Head Office with branches acting in concert. The Asset and Liability Management Department acting as the treasurer of the Group is in charge of daily liquidity risk management. According to a prudent basis under regulatory requirements, the treasurer is conducting centralised liquidity management through limit management, budget control, initiative debt management as well as internal fund transfer pricing.

The Group measures, monitors and identifies liquidity risk by short-term reserves as well as medium and long-term structures. It monitors the limit indicators closely at fixed intervals.

The Group regularly conducts stress testing to assess its liquidity risk resistance under extreme circumstances. Except for the annual stress testing required by the regulatory authorities, the Group conducts monthly stress testing on the liquidity risk of local and foreign currencies. The Group sets up liquidity contingency plans and conducts liquidity contingency drills to continuously improve its capability to handle any liquidity crisis.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows:

	2025								
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	64,591	172	699	870	–	–	508,443	–	574,775
Amounts due from banks and other financial institutions	65,846	472,977	114,148	280,149	28,184	617	–	–	961,921
Loans and advances to customers	35,811	493,615	487,310	1,999,735	2,065,357	1,884,138	–	29,119	6,995,085
Financial investments and derivative financial assets (note (ii))	6,988	250,973	175,595	495,397	1,581,991	1,578,091	30,104	294	4,119,433
– Financial investments at FVTPL (including derivative financial assets)	6,988	192,914	66,453	134,002	167,739	92,843	5,680	–	666,619
– Debt investments at amortised cost	–	32,316	39,374	193,537	846,817	990,752	–	294	2,103,090
– Debt investments at FVTOCI	–	25,743	69,768	167,858	567,435	494,496	–	–	1,325,300
– Equity investments designated at FVTOCI	–	–	–	–	–	–	24,424	–	24,424
Other assets (note (iii))	28,275	13,735	16,337	22,958	18,214	5,609	310,097	4,084	419,309
Total assets	201,511	1,231,472	794,089	2,799,109	3,693,746	3,468,455	848,644	33,497	13,070,523
Borrowing from central banks and amounts due to banks and other financial institutions	805,452	130,180	125,317	237,987	59,467	7,661	–	–	1,366,064
Deposits from customers	4,995,943	767,078	961,815	1,718,792	1,345,525	46,977	–	–	9,836,130
Financial liabilities at FVTPL and derivative financial liabilities	68,370	15,258	5,839	8,087	12,030	29,567	–	–	139,151
Lease liabilities	–	417	594	2,694	6,695	853	–	–	11,253
Debt securities issued	–	9,237	20,378	47,264	62,844	2,680	–	–	142,403
Other liabilities (note (iii))	143,971	55,693	19,504	44,555	30,659	241	–	–	294,623
Total liabilities	6,013,736	977,863	1,133,447	2,059,379	1,517,220	87,979	–	–	11,789,624
(Short)/long position	(5,812,225)	253,609	(339,358)	739,730	2,176,526	3,380,476	848,644	33,497	1,280,899

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Analysis of the Group's assets and liabilities by contractual remaining maturity is as follows: *(continued)*

	2024								
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue	Total
Cash and balances with central banks (note (i))	46,957	38	136	1,925	–	–	524,732	–	573,788
Amounts due from banks and other financial institutions	47,422	479,313	151,267	194,478	24,214	13	–	–	896,707
Loans and advances to customers	37,161	567,322	521,001	1,785,295	1,888,461	1,793,147	–	30,563	6,622,950
Financial investments and derivative financial assets (note (ii))	4,936	269,334	155,234	506,409	1,381,773	1,330,326	26,820	72	3,674,904
– Financial investments at FVTPL (including derivative financial assets)	4,936	229,529	51,315	131,726	162,250	65,290	4,505	–	649,551
– Debt investments at amortised cost	–	20,519	58,800	181,330	740,026	919,716	–	70	1,920,461
– Debt investments at FVTOCI	–	19,286	45,119	193,353	479,497	345,320	–	2	1,082,577
– Equity investments designated at FVTOCI	–	–	–	–	–	–	22,315	–	22,315
Other assets (note (iii))	36,930	12,493	14,400	21,479	18,287	4,669	270,768	4,661	383,687
Total assets	173,406	1,328,500	842,038	2,509,586	3,312,735	3,128,155	822,320	35,296	12,152,036
Borrowing from central banks and amounts due to banks and other financial institutions	656,081	149,972	150,656	201,897	41,794	6,617	–	–	1,207,017
Deposits from customers	4,752,616	673,445	936,315	1,420,661	1,288,740	24,810	–	–	9,096,587
Financial liabilities at FVTPL and derivative financial liabilities	16,928	10,044	6,266	18,668	16,519	30,619	–	–	99,044
Lease liabilities	–	448	607	2,855	7,705	1,163	–	–	12,778
Debt securities issued	–	26,710	72,254	61,455	53,770	7,394	–	–	221,583
Other liabilities (note (iii))	141,006	34,895	22,135	49,859	33,352	305	–	–	281,552
Total liabilities	5,566,631	895,514	1,188,233	1,755,395	1,441,880	70,908	–	–	10,918,561
(Short)/long position	(5,393,225)	432,986	(346,195)	754,191	1,870,855	3,057,247	822,320	35,296	1,233,475

Notes:

(i) For cash and balances with central banks, the amounts with indefinite maturities represent statutory deposit reserve and fiscal deposit balances.

(ii) For financial investments at FVTPL included in financial investments, their maturity dates do not represent the Group's intention to hold them to maturity.

(iii) Accrued interest of financial assets and liabilities are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis.

	2025									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	574,775	574,775	64,591	172	699	870	–	–	508,443	–
Amounts due from banks and other financial institutions	961,921	966,522	65,857	473,271	114,477	282,807	29,492	618	–	–
Loans and advances to customers	6,995,085	8,012,967	35,811	509,294	519,642	2,178,429	2,412,294	2,328,378	–	29,119
Financial investments	4,100,610	4,804,457	6,850	256,626	188,821	555,065	1,833,835	1,931,812	31,154	294
– Financial investments at FVTPL	647,796	677,565	6,850	190,654	63,731	132,310	171,268	106,022	6,730	–
– Debt investments at amortised cost	2,103,090	2,506,830	–	36,969	48,681	230,452	1,008,537	1,181,897	–	294
– Debt investments at FVTOCI	1,325,300	1,595,638	–	29,003	76,409	192,303	654,030	643,893	–	–
– Equity investments designated at FVTOCI	24,424	24,424	–	–	–	–	–	–	24,424	–
Other assets	137,675	137,675	28,275	13,711	16,290	22,710	11,752	1,178	39,677	4,082
Total	12,770,066	14,496,396	201,384	1,253,074	839,929	3,039,881	4,287,373	4,261,986	579,274	33,495
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,366,064	1,380,412	805,667	130,782	127,438	243,100	64,961	8,464	–	–
Deposits from customers	9,836,130	10,011,785	5,003,628	776,068	983,694	1,774,568	1,425,829	47,998	–	–
Financial liabilities at FVTPL	120,499	120,607	68,325	12,280	2,916	2,153	5,435	29,498	–	–
Lease liabilities	11,253	12,000	–	417	595	2,733	7,143	1,112	–	–
Debt securities issued	142,403	148,583	–	9,376	21,062	49,441	65,984	2,720	–	–
Other liabilities	239,288	190,556	39,686	55,693	19,504	44,555	30,877	241	–	–
Total	11,715,637	11,863,943	5,917,306	984,616	1,155,209	2,116,550	1,600,229	90,033	–	–
Loan commitments	–	1,942,474	1,942,474	–	–	–	–	–	–	–

60. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following table provides an analysis of the contractual undiscounted cash flow of the non-derivative financial assets, non-derivative financial liabilities, and loan commitments of the Group as at the end of the reporting period. The Group's actual cash flows on these instruments may vary significantly from this analysis. *(continued)*

	2024									
	Carrying amount	Total	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Indefinite	Overdue
Non-derivative financial assets										
Cash and balances with central banks	573,788	573,788	46,957	38	136	1,925	–	–	524,732	–
Amounts due from banks and other financial institutions	896,707	904,328	47,430	479,793	152,137	197,581	27,374	13	–	–
Loans and advances to customers	6,622,950	7,670,661	37,161	583,775	555,313	1,963,041	2,235,195	2,265,613	–	30,563
Financial investments	3,642,371	4,273,759	4,956	272,560	163,542	555,653	1,597,127	1,653,029	26,820	72
– Financial investments at FVTPL	617,018	638,145	4,956	225,776	45,894	124,509	156,719	75,786	4,505	–
– Debt investments at amortised cost	1,920,461	2,324,329	–	25,001	67,717	219,327	895,238	1,116,976	–	70
– Debt investments at FVTOCI	1,082,577	1,288,970	–	21,783	49,931	211,817	545,170	460,267	–	2
– Equity investments designated at FVTOCI	22,315	22,315	–	–	–	–	–	–	22,315	–
Other assets	102,337	102,337	33,461	12,442	14,328	21,190	5,063	511	10,681	4,661
Total	11,838,153	13,524,873	169,965	1,348,608	885,456	2,739,390	3,864,759	3,919,166	562,233	35,296
Non-derivative financial liabilities and lease liabilities										
Borrowing from central banks and amounts due to banks and other financial institutions	1,207,017	1,220,980	656,335	150,888	152,614	206,029	47,556	7,558	–	–
Deposits from customers	9,096,587	9,321,148	4,793,218	686,784	958,060	1,470,346	1,387,318	25,422	–	–
Financial liabilities at FVTPL	67,461	67,510	16,886	6,247	1,342	7,526	4,998	30,511	–	–
Lease liabilities	12,778	13,793	–	451	614	2,908	8,299	1,521	–	–
Debt securities issued	221,583	228,531	–	26,990	73,018	63,674	57,135	7,714	–	–
Other liabilities	181,168	181,168	43,755	33,783	21,974	48,334	33,017	305	–	–
Total	10,786,594	11,033,130	5,510,194	905,143	1,207,622	1,798,817	1,538,323	73,031	–	–
Loan commitments	–	1,783,211	1,783,211	–	–	–	–	–	–	–

Note: Accrued interest of financial assets and liabilities are included in "other assets" and "other liabilities" respectively.

60. Risk management *(continued)*

(d) Operational risk

Operational risk arises from the loss due to deficiency in internal procedures, staffing or IT structure, as well as external events which have effect on operation, including legal risk but not strategy risk and reputation risk.

During the reporting period, through stepping up the identification, evaluation and monitoring of operational risk in key areas, and by focusing on process, policy, employee system, and existing problems of critical control segments, the Group further improves the risk management method, appraisal and assessment mechanism, and strengthens economic capital allocation mechanism with the goal of enhancing the ability and effectiveness of operational risk's management of the Group. All major indexes meet the requirements of the Group's risk preference.

In view of the challenges from internal and external operations and management, the Group will, based on its risk appetite, continue to upgrade its risk management capabilities and strengthen operational risk monitoring and controls, in order to prevent and reduce operational risk losses.

(e) Capital management

The objectives of the Group's capital management are to:

- Keep capital adequacy ratios at reasonable levels, satisfy capital-specific regulatory provisions and policy requirements on an ongoing basis, and maintain a solid capital base in support of its business expansion, social responsibility and strategic planning implementation to achieve a comprehensive, coordinated and sustainable growth;
- Comply with capital regulatory requirements, perform procedures to assess internal capital adequacy, openly disclose information related to capital management, fully cover all risks and ensure safe operation of the entire group;
- Put in place an economic capital-centred banking value management system by fully applying various risk-specific quantitative deliverables, enhance decision-making processes and management application regimes, strengthen capital restraint and capital incentive mechanisms, reinforce capabilities to facilitate customer pricing and decision-making, and increase capital deployment efficiency;
- Reasonably use all kinds of capital instruments, continue to upgrade capital strengths, improve capital structures, raise capital quality, lower capital costs, and create the best returns for shareholders.

The Group manages its capital structure and adjusts it based on the economic condition and the risk characteristics of its operations. To maintain or adjust its capital structure, the Group may modify its profit distribution policy, issue or repurchase shares, additional tier 1 capital instruments, eligible tier 2 capital instruments, and convertible debentures. The Group's management regularly monitors capital adequacy ratio under the approaches stipulated by regulators. The Group and the Bank submit the required information to the NFRA every quarter.

The Group's capital adequacy ratio calculation covers the Bank and its subsidiaries. The Bank's capital adequacy ratio calculation covers all branches of the Bank. As at 31 December 2025, the Group's subsidiaries that were within the capital adequacy ratio calculation included: CMB WLB, CMBIC, CMBFL, CMFM, CMBWM, CIGNA & CMAM, CMB Europe S.A and CMB Investment.

Since 1 January 2024, the Group has calculated its capital adequacy ratio in accordance with the NFRA's the *Rules on Capital Management of Commercial Banks*. According to the approval and requirements of implementing the advanced method of capital measurement by the former CBIRC on April 18, 2014 and the NFRA's relevant provisions of the Notice on implement of *Rules on Capital Management of Commercial Banks* (國家金融監督管理總局關於實施<商業銀行資本管理辦法>相關事項的通知) (Jin Gui [2023] No.9), within the approved scope, the Group could calculate corporation and financial institution risk exposure using the Foundation Internal Ratings-Based Approach, retail risk exposure using the Advanced Internal Ratings-Based Approach, market risk and operational risk using the Standardised Approach. At the same time, the NFRA or its agencies implemented a transition period for commercial banks that were approved to adopt the Advanced Measurement Approach. During the transition period, commercial banks should follow *Rules on Capital Management of Commercial Banks* to carry out capital measurement.

60. Risk management *(continued)*

(e) Capital management *(continued)*

The Group's capital management focuses on capital adequacy ratio management. The capital adequacy ratio reflects the Group's capability of sound operations and risk resistance. The Group's capital adequacy ratio management's objective is to carefully determine capital adequacy ratio, as legally required by regulators, according to actual risk profiles and with reference to capital adequacy ratio levels of globally leading market peers and the Group's operating conditions.

The Group adopts the scenario simulation and stress testing methods to forecast, plan and manage its capital adequacy ratio with considerations of factors such as strategic development planning, business expansion status, and risk movement trends.

The capital ratios calculated by the Advanced Measurement Approach set out in the Rules on Capital Management of Commercial Banks are as follows:

	2025	2024
Common equity tier 1 adequacy ratio	**14.16%**	14.86%
Tier 1 capital adequacy ratio	**16.51%**	17.48%
Capital adequacy ratio	**18.24%**	19.05%
Common equity tier 1	**1,080,721**	1,036,392
Regulatory deductions from Common equity tier 1	**13,161**	13,344
Net Common equity tier 1	**1,067,560**	1,023,048
Additional tier 1 capital	**177,457**	180,446
Net tier 1 capital	**1,245,017**	1,203,494
Tier 2 capital	**130,014**	108,248
Net capital	**1,375,031**	1,311,742
Risk-weighted assets (taking into consideration the capital floor requirements)	**7,540,202**	6,885,783

(f) Use of derivatives

Derivatives include forwards, swaps and option transactions undertaken by the Group in the foreign exchange and interest rate markets.

The Group enters into interest rate, foreign currency and other financial derivative transactions for treasury business and its assets and liabilities management purposes. The Group's derivatives can be divided into financial instruments that are held for fair value hedge and cash flow hedging purposes and that are at fair value through profit or loss.

The Group formulates appropriate hedging strategies and uses proper tools in light of the risk profile of interest rates or foreign exchange rates associated with its assets and liabilities, as well as its analysis and judgement regarding future movements of interest rates or foreign exchange rates.

The Group is exposed to foreign exchange risk when assets or liabilities are denominated in foreign currencies. Such risk can be offset through the use of foreign exchange forwards or foreign exchange options.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

In cash flow hedges, the Group uses interest rate swaps as hedging instruments to hedge the risks of variability in cash flows arising from floating-rate loans, floating-rate bonds and interbank assets or liabilities. In fair value hedge, the Group uses interest rate swaps as hedging instruments to hedge the risks of changes in fair value arising from bond investments measured at fair value through other comprehensive income.

The following tables provide an analysis of the notional amounts and the corresponding fair values of derivatives of the Group by remaining maturities at the end of the reporting period. The notional amounts of the derivatives indicate the transaction volume that has not been delivered at the end of the reporting period, and do not represent the amounts at risk.

	2025						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	720,088	1,201,348	1,333,727	2,854	3,258,017	6,758	(6,837)
Interest rate swaps	719,717	1,201,277	1,333,727	2,854	3,257,575	6,757	(6,837)
Bond futures	371	61	–	–	432	1	–
Interest rate options	–	10	–	–	10	–	–
Currency derivatives	1,140,645	972,108	55,994	6,019	2,174,766	11,521	(11,341)
Forwards	82,150	41,970	1,915	1,897	127,932	362	(831)
Foreign exchange swaps	798,244	552,630	40,564	4,122	1,395,560	9,262	(8,158)
Futures	–	8,391	–	–	8,391	–	–
Options	260,251	369,117	13,515	–	642,883	1,897	(2,352)
Other derivatives	3,310	6,788	403	–	10,501	254	(261)
Equity options purchased	570	3,247	35	–	3,852	47	–
Equity options written	580	3,247	–	–	3,827	–	(20)
Commodity trading swaps	1,895	294	68	–	2,257	207	(238)
Credit default swaps	265	–	300	–	565	–	(3)
Fair value hedge derivatives							
Interest rate derivatives	–	1,500	9,922	949	12,371	–	(27)
Interest rate swaps	–	1,500	9,922	949	12,371	–	(27)
Currency derivatives	1,036	830	1,222	–	3,088	84	(12)
Foreign exchange swaps	1,036	830	1,222	–	3,088	84	(12)
Cash flow hedge derivatives							
Interest rate derivatives	5,148	11,844	25,466	279	42,737	68	(95)
Interest rate swaps	5,148	11,844	25,466	279	42,737	68	(95)
Currency derivatives	3,412	7,662	2,571	–	13,645	137	(79)
Foreign exchange swaps	3,412	7,662	2,571	–	13,645	137	(79)
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	–	175	–	–	175	1	–
Interest rate swaps	–	175	–	–	175	1	–
Total	1,873,639	2,202,255	1,429,305	10,101	5,515,300	18,823	(18,652)

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

	2024						
	Notional amounts with remaining life					Fair value	
	Within 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	Total	Assets	Liabilities
Derivatives at fair value through profit or loss							
Interest rate derivatives	295,444	931,606	847,772	1,290	2,076,112	11,136	(11,478)
Interest rate swaps	290,990	931,524	847,772	1,290	2,071,576	11,035	(11,478)
Bond futures	4,454	82	–	–	4,536	101	–
Currency derivatives	944,726	947,917	83,676	1,722	1,978,041	20,926	(19,773)
Forwards	44,479	21,093	1,372	280	67,224	588	(579)
Foreign exchange swaps	664,671	740,338	67,377	1,442	1,473,828	17,734	(16,958)
Futures	18	387	–	–	405	–	–
Options	235,558	186,099	14,927	–	436,584	2,604	(2,236)
Other derivatives	4,767	6,090	230	37	11,124	262	(123)
Equity options purchased	805	2,769	–	37	3,611	131	–
Equity options written	805	2,769	–	–	3,574	–	(21)
Commodity trading swaps	3,157	351	–	–	3,508	131	(100)
Credit default swaps	–	201	230	–	431	–	(2)
Fair value hedge derivatives							
Interest rate derivatives	–	–	500	–	500	–	(15)
Interest rate swaps	–	–	500	–	500	–	(15)
Currency derivatives	1,200	1,940	6,614	–	9,754	76	(161)
Foreign exchange swaps	1,200	1,940	6,614	–	9,754	76	(161)
Cash flow hedge derivatives							
Interest rate derivatives	2,110	10,384	9,533	330	22,357	128	(33)
Interest rate swaps	2,110	10,384	9,533	330	22,357	128	(33)
Derivatives managed in conjunction with financial instruments designated at FVTPL							
Interest rate derivatives	–	–	183	–	183	5	–
Interest rate swaps	–	–	183	–	183	5	–
Total	1,248,247	1,897,937	948,508	3,379	4,098,071	32,533	(31,583)

There was no ineffective portion of cash flow hedges during the years ended 31 December 2025 and 2024.

60. Risk management *(continued)*

(f) Use of derivatives *(continued)*

The credit risk weighted amounts in respect of these derivatives are as follows:

	2025	2024
Default risk weighted assets of counterparties	**6,640**	4,254
Credit valuation adjustment risk weighted assets	**1,581**	2,353
Total	**8,221**	6,607

Since 1 January 2024, the risk weighted amounts in respect of derivatives are calculated in accordance with *Rules on Capital Management of Commercial Banks*. The amounts within the scope approved by the former CBIRC in April 2014 are calculated using the Internal Ratings-Based Approach, and the Weighted Approach is adopted to calculate those that are not eligible for the Internal Ratings-Based approach.

(g) Fair value information

(i) Methods of determining fair value of financial instruments

Several of the Group's accounting policies and disclosure requirements stipulate the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has established a control framework to govern the measurement of fair values. This includes a valuation team that takes the responsibility for overseeing all significant fair value measurements including the three levels of fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to determine fair value, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuation meets the requirements of IFRS Accounting Standards, including the classification of levels in the fair value hierarchy.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on the inputs used in the valuation techniques.

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level of input that is significant to the entire fair value measurement. The levels are defined as follows:

– Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

– Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly;

– Level 3 inputs are unobservable inputs for the asset or liability.

The Group recognises transfers among levels of the fair value hierarchy at the end of the reporting period during which the transfer takes place.

The Group's assets and liabilities measured at fair value are measured on a recurring basis. The Group does not have assets nor liabilities measured at fair value on a non-recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis

The following tables present the fair value information and the fair value hierarchy, at the end of the reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date:

	2025			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	21,396	610,143	4,789	636,328
– Debt securities	14,087	330,563	153	344,803
– Precious metal contracts	5,817	–	–	5,817
– Equity investments	1,442	1,432	3,846	6,720
– Fund investments	50	264,586	586	265,222
– Wealth management products	–	4,416	–	4,416
– Other	–	9,146	204	9,350
Financial investments designated at FVTPL	168	11,300	–	11,468
– Debt securities	168	11,300	–	11,468
Derivative financial assets	–	18,823	–	18,823
Loans and advances to customers at FVTPL	–	97,270	1,036	98,306
Debt investments at FVTOCI	304,014	1,033,936	–	1,337,950
Loans and advances to customers at FVTOCI	–	519,054	522	519,576
Equity investments designated at FVTOCI	14,705	1,901	7,818	24,424
Total	340,283	2,292,427	14,165	2,646,875
Liabilities				
Financial liabilities held for trading	88,317	288	–	88,605
– Financial liabilities related to precious metal	88,317	–	–	88,317
– Short position on bonds	–	288	–	288
Financial liabilities designated at FVTPL	–	30,325	1,569	31,894
– Other	–	30,325	1,569	31,894
Derivative financial liabilities	–	18,652	–	18,652
Total	88,317	49,265	1,569	139,151

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

The following tables present the fair value information and the fair value hierarchy, at the end of the reporting period, of the Group's assets and liabilities which are measured at fair value on a recurring basis at each reporting date: *(continued)*

	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Financial investments measured at FVTPL	15,699	584,337	3,317	603,353
– Debt securities	14,204	237,508	340	252,052
– Precious metal contracts	134	–	–	134
– Equity investments	1,360	3	1,899	3,262
– Fund investments	1	343,079	871	343,951
– Wealth management products	–	3,134	–	3,134
– Other	–	613	207	820
Financial investments designated at FVTPL	1,646	12,019	–	13,665
– Debt securities	1,646	12,019	–	13,665
Derivative financial assets	–	32,533	–	32,533
Loans and advances to customers at FVTPL	–	34,601	1,174	35,775
Debt investments at FVTOCI	230,469	861,658	–	1,092,127
Loans and advances to customers at FVTOCI	–	345,349	206,343	551,692
Equity investments designated at FVTOCI	12,873	1,903	7,539	22,315
Total	260,687	1,872,400	218,373	2,351,460
Liabilities				
Financial liabilities held for trading	28,757	389	–	29,146
– Financial liabilities related to precious metal	28,757	–	–	28,757
– Short position on bonds	–	389	–	389
Financial liabilities designated at FVTPL	5,567	31,592	1,156	38,315
– Debt securities issued	5,567	–	–	5,567
– Other	–	31,592	1,156	32,748
Derivative financial liabilities	–	31,583	–	31,583
Total	34,324	63,564	1,156	99,044

During the years ended 31 December 2025 and 2024, there were no significant transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

(1) Basis of determining the market prices for recurring fair value measurements categorised as Level 1

Bloomberg etc. are used for financial instruments with quoted prices in an active market.

(2) Valuation techniques used and the information of key parameters for recurring fair value measurement categorised as Level 2

Fair value of RMB denominated bonds whose value is available on China Bond website on the valuation date is measured using the latest available valuation results.

Fair value of foreign currency bonds without quoted prices in an active market is measured by using the comprehensive valuations provided by Bloomberg, etc.

Fair value of foreign exchange forward contracts in derivative financial instruments is measured by discounting the differences between the contract prices and market future prices of the foreign exchange forward contracts. The discount rates used are the applicable RMB denominated swap yield curve as at the end of the reporting period.

Fair value of option contracts such as foreign exchange options, commodity options and equity options is measured by using the Black-Scholes model, based on market data such as risk-free interest rate, underlying market prices and price volatility of foreign exchange, commodities, and equity contracts. The above market data used are quoted prices in an active market, provided by Bloomberg, Refinitiv, Wind and other market information providers.

Fair value of interest rate swaps, foreign exchange swaps, and non-option commodity contracts in derivative financial instruments is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been terminated at the end of the reporting period. The discount rates used are the related currency denominated swap yield curve as at the end of the reporting period.

Observable quoted price in market or valuation techniques applicable at present are used as the basis of determining the value of equity investments measured at FVTPL, investment funds and wealth management products.

The fair value of discounted bills at FVTOCI and at FVTPL is mainly measured based on the rate of rediscounted bills announced by the Shanghai Commercial Paper Exchange Corporation Ltd. The Group uses the 10-day average discount rate as the basis for calculating the value of discounted bills; which can either be measured by discounted cash flow approach. Other loans and advances measured at FVTOCI are measured by discounted cash flow approach based on observable market quotes.

The fair value of equity investments designated at FVTOCI is measured by using the comprehensive valuations on Bloomberg or discounted cash flow approach using the relevant yield curve of China Bond at the end of the reporting period.

The fair value of certificates of deposit issued is measured by using the comprehensive valuations on Bloomberg.

The fair value of "Other" under financial investments measured at FVTPL is measured based on the net asset values.

The fair value of other financial liabilities designated at FVTPL 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.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the information of key parameters for recurring fair value measurements categorised as Level 3:

	Fair value as at 31 December 2025	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	1,141	Market approach	Liquidity discount
Equity investments designated at FVTOCI	57	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	6,620	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	1,036	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	522	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	2,511	Market approach	Liquidity discount
– Equity investments	567	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	768	Net asset value approach	Net assets, liquidity discount
– Debt securities	153	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	481	Net fund value approach	Net assets
– Fund investments	105	Market approach	Liquidity discount
– Other	181	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Other	23	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	1,569	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the information of key parameters for recurring fair value measurements categorised as Level 3: (continued)

	Fair value as at 31 December 2024	Valuation techniques	Unobservable inputs
Equity investments designated at FVTOCI	1,022	Market approach	Liquidity discount
Equity investments designated at FVTOCI	67	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
Equity investments designated at FVTOCI	6,450	Net asset value approach	Net assets, liquidity discount
Loans and advances to customers at FVTPL	1,174	Discounted cash flow approach	Risk-adjusted discount rate
Loans and advances to customers at FVTOCI	206,343	Discounted cash flow approach	Risk-adjusted discount rate
Financial investments measured at FVTPL			
– Equity investments	1,119	Market approach	Liquidity discount
– Equity investments	516	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Equity investments	264	Net asset value approach	Net assets, liquidity discount
– Debt securities	340	Discounted cash flow approach	Risk-adjusted discount rate
– Fund investments	807	Net fund value approach	Net assets
– Fund investments	64	Market approach	Liquidity discount
– Other	163	Discounted cash flow approach	Risk-adjusted discount rate, cash flow
– Other	44	Net fund value approach	Net assets
Financial liabilities designated at FVTPL	1,156	Net fund value approach	Net assets, liquidity discount

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the information of key parameters for recurring fair value measurements categorised as Level 3: (continued)

Valuation of financial instruments with significant unobservable inputs

The following tables show the movements from the beginning balances to the ending balances for Level 3 financial instruments:

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2025	3,317	1,174	206,343	7,539	218,373
Profit or loss					
– In profit or loss	533	(7)	–	–	526
– In other comprehensive income	46	–	(154)	352	244
Addition for the year	1,284	(15)	588,594	–	589,863
Disposals and settlement on maturity	(330)	(114)	(499,954)	(3)	(500,401)
Transfer out of level 3	–	–	(294,300)	–	(294,300)
Exchange difference	(61)	(2)	(7)	(70)	(140)
At 31 December 2025	4,789	1,036	522	7,818	14,165
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	427	(22)	–	–	405

Assets	Financial investments at FVTPL	Loans and advances to customers at FVTPL	Loans and advances to customers at FVTOCI	Equity investments designated at FVTOCI	Total
At 1 January 2024	4,160	3,729	120,762	7,338	135,989
Profit or loss					
– In profit or loss	(531)	(84)	–	–	(615)
– In other comprehensive income	–	–	252	297	549
Addition for the year	72	–	485,550	–	485,622
Disposals and settlement on maturity	(179)	(2,472)	(400,221)	(104)	(402,976)
Transfer out of level 3	(214)	–	–	–	(214)
Exchange difference	9	1	–	8	18
At 31 December 2024	3,317	1,174	206,343	7,539	218,373
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(434)	(104)	–	–	(538)

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(ii) Assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis *(continued)*

(3) Valuation techniques used and the information of key parameters for recurring fair value measurements categorised as Level 3: (continued)

Valuation of financial instruments with significant unobservable inputs (continued)

Financial liabilities at fair value through profit or loss	2025	2024
Balance as at 1 January	**1,156**	1,825
In profit or loss	**263**	(235)
Addition for the year	**382**	6
Disposals and settlement on maturity	**(206)**	(455)
Exchange difference	**(26)**	15
Balance as at 31 December	**1,569**	1,156
Total unrealised gains and losses included in the consolidated statement of profit or loss for liabilities held at the end of the reporting period	**263**	(235)

During the year ended 31 December 2025, due to adjustments in certain significant inputs to the fair value measurements of some financial assets, which became observable from previously being unobservable, the Group and the Bank transferred these financial assets from Level 3 to Level 2 within the fair value hierarchy. (2024: No significant transfers).

During the years ended 31 December 2025 and 2024, the Group did not change the valuation techniques for the financial assets and liabilities disclosed above which are measured at fair value on a recurring basis.

60. Risk management *(continued)*

(g) Fair value information *(continued)*

(iii) Financial assets and financial liabilities that are not measured at fair value

(1) Financial Assets

The Group's financial assets that are not measured at fair value mainly include balances with central banks, balances and placements with banks and other financial institutions, amounts held under resale agreements, loans and advances to customers at amortised cost and investments at amortised cost.

Except for loans and advances measured at amortised cost and debt instrument investments measured at amortised cost, most of the financial assets not measured at fair value mature within 1 year, and their carrying values approximate to their fair values.

Loans and advances are stated at amortised cost less allowances for impairment losses (Note 22). Loans and advances at amortised cost are mostly priced at floating rates with reference to Loan Prime Rates (LPRs) and repriced at least annually, and impairment allowances are made to reduce the carrying amounts of impaired loans to estimated recoverable amounts. Accordingly, the carrying value of loans and advances approximates to their fair value.

Debt investments measured at amortised cost are carried at amortised cost less allowances for impairment losses. The fair value of the listed bonds is disclosed in Note 23(b).

The carrying value, fair value and fair value hierarchy of debt investments at amortised cost not measured at fair value are listed below:

The Level 1 fair value measurement is based on unadjusted quoted prices in active markets using Bloomberg etc. For Level 2, the latest valuation results released by China Bond's website are used to measure fair value of bonds denominated in RMB. The Level 2 category also includes foreign currency bonds without active quoted price, which is measured using the published comprehensive valuation by Bloomberg. The Level 3 fair value is measured using discounted cash flow valuation technique.

	2025					2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt investments at amortised cost	2,103,090	2,205,577	117,481	2,012,821	75,275	1,920,461	2,066,244	71,429	1,913,893	80,922

Note: The above financial assets do not include accrued interest.

(2) Financial Liabilities

Financial liabilities that are not measured at fair value mainly include deposits from customers, amounts due to banks and other financial institutions, amounts sold under repurchase agreements, and debts securities issued by the Group. The carrying value of financial liabilities approximated to their fair value at the end of the reporting period, except for the financial liabilities set out below:

	2025					2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3	Carrying amount	Fair value	Level 1	Level 2	Level 3
Debt securities issued	80,963	80,793	–	80,793	–	85,003	89,325	–	89,325	–

Note: The above financial liabilities do not include accrued interest.

61. Material related party transactions

(a) Material connected person information

Details of the Bank's major shareholders and their parent companies are as follows:

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
China Merchants Group (CMG)	Beijing	RMB16,900 million	7,559,427,375	29.97% (note (i)(iv))	–	Transportation, shipping agency, warehousing and storage, leasing, manufacturing building and facility, repair and contracting, sales operating management service, etc.	The largest shareholder's parent company	Limited liability	Miao Jianmin
– China Merchants Steam Navigation Co., Ltd. (CMSN)	Beijing	RMB17,000 million	3,289,470,337	13.04% (note (ii))	–	Transportation, building and repair, procurement, supply chain management and distribution, shipping agency services, etc.	The largest shareholder	Limited liability	Miao Jianmin
– Shenzhen Yan Qing Investment and Development Co., Ltd.	Shenzhen	RMB600 million	1,258,542,349	4.99%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
– Shenzhen Chu Yuan Investment and Development Co., Ltd.	Shenzhen	RMB600 million	944,013,171	3.74%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Sun Xian
– China Merchants Financial Holdings Co., Ltd.	Shenzhen	RMB8,824 million	1,147,377,415	4.55%	–	Invest and set up industries, domestic commerce, materials supply and marketing business, etc.	Shareholder	Limited liability	Miao Jianmin
– Best Winner Investment Ltd.	British Virgin Islands	USD 1	386,924,063	1.53%	–	–	Shareholder	Joint stock limited company	–
– China Merchants Union (BVI) Limited	British Virgin Islands	USD0.06 million	477,903,500	1.89%	–	–	Shareholder	Limited liability	–
– China Merchants Industry Development (Shenzhen) Ltd.	Shenzhen	USD10 million	55,196,540	0.22%	–	Invest and set up industries, enterprise management consulting and investment consulting, etc.	Shareholder	Limited liability	Wang Xiaoding
China COSCO Shipping Corporation Limited.	Shanghai	RMB11,000 million	2,515,193,034	9.97% (note (iii))	–	International shipping business, supporting services to international shipping, imports and exports of goods and technology, international freight forwarding agent, etc.	Shareholder's parent company	Limited liability	Wan Min
– China Ocean Shipping Co., Ltd.	Beijing	RMB16,191 million	1,574,729,111	6.24%	–	Transportation business, leasing business, ship purchasing and marketing business, warehousing business, etc.	Shareholder	Limited liability	Wan Min
– COSCO Shipping (Guangzhou) Co., Ltd.	Guangzhou	RMB3,191 million	696,450,214	2.76%	–	Shipping business	Shareholder	Limited liability	Zhang Anming
– Guangzhou COSCO Shipping Haining Technology Co., Ltd.	Guangzhou	RMB52 million	103,552,616	0.41%	–	Business services	Shareholder	Limited liability	Chen Jianyao

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

Details of the Bank's major shareholders and their parent companies are as follows: *(continued)*

Company name	Registered location	Issued and fully paid capital	No. of shares of the Bank held by the Company	Proportion of the Bank held by the Company	Proportion of the Company held by the Bank	Business	Relationship with the Bank	Legal form	Legal representative
– COSCO Shipping (Shanghai) Co., Ltd.	Shanghai	RMB1,399 million	75,617,340	0.30%	–	Shipping business, leasing business, ship repairing and building etc.	Shareholder	Limited liability	Zhao Bangtao
– COSCO Shipping Investment Holdings Co., Ltd.	Hong Kong	HKD500 million	54,721,930	0.22%	–	Leasing business, financing business, insurance business etc.	Shareholder	Limited liability	Zhang Mingwen
– Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	Guangzhou	RMB299 million	10,121,823	0.04%	–	Ship purchasing and marketing business, shipping agency, leasing business, shipping business etc.	Shareholder	Limited liability	Liu Wenbao
CMB International Capital Holdings Corporation Limited (CMBIC)	Hong Kong	HKD4,129 million	–	–	100%	Investment bank and investment managements	Subsidiary	Limited liability	Wang Liang
CMB Financial Leasing Company Limited (CMBFL)	Shanghai	RMB18,000 million	–	–	100%	Finance lease	Subsidiary	Limited liability	Zhong Desheng
CMB Wing Lung Bank Limited (CMB WLB)	Hong Kong	HKD1,161 million	–	–	100%	Banking	Subsidiary	Limited liability	Wang Liang
China Merchants Fund Management Co., Ltd. (CMFM)	Shenzhen	RMB1,310 million	–	–	55%	Fund management	Subsidiary	Limited liability	Wang Ying
CMB Wealth Management Co., Ltd	Shenzhen	RMB5,556 million	–	–	90%	Asset management	Subsidiary	Limited liability	Wu Jianbin
China Merchants Europe S.A. (CMB Europe S.A.)	Luxembourg	EUR100 million	–	–	100%	Banking	Subsidiary	Limited liability	Xue Fei
Cigna & CMB Asset Management Company Limited (CIGNA & CMAM)	Beijing	RMB500 million	–	–	Note 24(vii)	Asset management	Subsidiary	Limited liability	Wang Xiaoqing
China Merchants Bank Financial Asset Investment Co., Ltd.	Shenzhen	RMB15,000 million	–	–	100%	Financial assets investment	Subsidiary	Limited liability	Lei Caihua

Notes:

(i) CMG held 29.97% of the Bank indirectly (31 December 2024: 29.97%) through its subsidiaries as at 31 December 2025.

(ii) As the largest direct shareholder, CMSN, a subsidiary of CMG, holds 13.04% of the Bank as at 31 December 2025 (2024: 13.04%).

(iii) China COSCO Shipping Corporation Ltd. holds 9.97% of the Bank through its subsidiaries as at 31 December 2025 (2024: 9.97%).

(iv) The sum of the direct holding percentage of CMG's shareholdings in the Bank and the sum of the above-mentioned relevant percentages may differ slightly due to rounding.

(v) With effect from 18 December 2025, in accordance with the Company's Articles of Association, the Company shall cease to have the Board of Supervisors. China Communications Construction Group Limited, Shanghai Automotive Industry Corporation (Group), and China Insurance Security Fund Co., Ltd., which had previously assigned Supervisors to the bank, were major shareholders of the Bank within the past 12 months.

61. Material related party transactions *(continued)*

(a) Material connected person information *(continued)*

The registered capital of the Group's related parties as at 31 December 2025 and 2024 are as follows:

Name of related party	2025		2024	
CMG	RMB	16,900,000,000	RMB	16,900,000,000
CMSN	RMB	17,000,000,000	RMB	17,000,000,000
Shenzhen Yan Qing Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
Shenzhen Chu Yuan Investment and Development Co., Ltd.	RMB	600,000,000	RMB	600,000,000
China Merchants Financial Holdings Co., Ltd.	RMB	8,824,000,000	RMB	7,778,000,000
Best Winner Investment Ltd.	USD	1	USD	1
China Merchants Union (BVI) Limited	USD	60,000	USD	60,000
China Merchants Industry Development (Shenzhen) Ltd.	USD	10,000,000	USD	10,000,000
China COSCO Shipping Corporation Limited	RMB	11,000,000,000	RMB	11,000,000,000
China Ocean Shipping Co., Ltd.	RMB	16,191,351,300	RMB	16,191,351,300
COSCO Shipping (Guangzhou) Co., Ltd.	RMB	3,191,200,000	RMB	3,191,200,000
Guangzhou COSCO Shipping Haining Technology Co., Ltd.	RMB	52,000,000	RMB	52,000,000
COSCO Shipping (Shanghai) Co., Ltd.	RMB	1,398,941,000	RMB	1,398,941,000
COSCO Shipping Investment Holdings Co., Ltd.	HKD	500,000,000	HKD	500,000,000
Guangzhou Tri-Dynas Oil & Shipping Co., Ltd.	RMB	299,020,000	RMB	299,020,000
CMBIC	HKD	4,129,000,000	HKD	4,129,000,000
CMBFL	RMB	18,000,000,000	RMB	18,000,000,000
CMB WLB	HKD	1,160,950,575	HKD	1,160,950,575
CMFM	RMB	1,310,000,000	RMB	1,310,000,000
CMBWM	RMB	5,555,555,555	RMB	5,555,555,555
CMB Europe S.A.	EUR	100,000,000	EUR	100,000,000
CIGNA & CMAM	RMB	500,000,000	RMB	500,000,000
CMB Investment	RMB	15,000,000,000	N/A	N/A

The proportion of the Bank held by the largest shareholder and the portion of the subsidiaries held by the Bank

	The Bank held by the largest shareholder		The subsidiaries held by the Bank															
	CMSN		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM		CMB Investment	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%	RMB	%
At 1 January 2025	3,289,470,337	13.04	4,129,000,000	100.00	18,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	100,000,000	100.00	500,000,000	note	-	-
At 31 December 2025	3,289,470,337	13.04	4,129,000,000	100.00	18,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	100,000,000	100.00	500,000,000	note	15,000,000,000	100.00

	The Bank held by the largest shareholder		The subsidiaries held by the Bank													
	CMSN		CMBIC		CMBFL		CMB WLB		CMFM		CMBWM		CMB Europe S.A.		CIGNA & CMAM	
	No. of shares	%	HKD	%	RMB	%	HKD	%	RMB	%	RMB	%	EUR	%	RMB	%
At 1 January 2024	3,289,470,337	13.04	4,129,000,000	100.00	12,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	100,000,000	100.00	500,000,000	note
At 31 December 2024	3,289,470,337	13.04	4,129,000,000	100.00	18,000,000,000	100.00	1,160,950,575	100.00	1,310,000,000	55.00	5,555,555,555	90.00	100,000,000	100.00	500,000,000	note

Note: This information is detailed in note 24(vii).

As of 31 December 2025, other than those disclosed above, there were 87 companies that shared common directors, supervisors and senior management including their close family members with the Bank and they can control or exercise significant influence over these companies (31 December 2024: 85).

61. Material related party transactions *(continued)*

(b) Terms and conditions for related-party transactions

The Group enters into transactions with related parties in the ordinary course of its banking business including lending, investing, deposit taking, securities trading, providing agency and trust services, and off-balance sheet transactions. In the opinion of the directors, the Group enters into such material related-party transactions under normal commercial terms. Interest rates on loans and deposits are strictly set in accordance with the deposit and loan interest rate management regulations published by the PBOC, and such banking transactions are priced based on the market prices at the time of transactions:

	2025	2024
Short-term loans	**3.00% to 3.10%**	3.10% to 3.45%
Medium to long-term loans	**3.00% to 3.50%**	3.10% to 4.20%
Demand deposits	**0.05% to 0.10%**	0.10% to 0.35%
Time deposits	**0.65% to 1.30%**	0.80% to 2.75%

There were no loans and advances granted to related parties that were credit impaired during the year (2024: None).

(c) Shareholders and their related companies

The Bank's largest shareholder CMG and its related companies held 29.97% (2024: 29.97%) of the Bank's shares as at 31 December 2025 (among them 13.04% of the shares were directly held by CMSN (2024: 13.04%).

The Group's transactions and balances with CMSN and its related companies are disclosed as follows:

	2025	2024
On-balance sheet:		
– Loans and advances to customers	**67,903**	58,843
– Financial investments	**3,790**	7,580
– Deposits from banks and other financial institutions	**38,788**	36,109
– Deposits from customers	**62,316**	75,028
– Lease liabilities	**150**	186
Off-balance sheet:		
– Irrevocable guarantees	**10,021**	8,748
– Irrevocable letters of credit	**1,444**	1,004
– Irrevocable loan commitments	**7,647**	7,489
– Bills of acceptances	**845**	599
Interest income	**2,012**	1,979
Interest expense	**(1,319)**	(1,366)
Net fee and commission income	**610**	425
Operating expenses	**(944)**	(1,012)
Other net income	**127**	238

61. Material related party transactions *(continued)*

(d) Companies that share common directors, supervisors or senior management with the Bank (other than those disclosed in Note 61(c)) and they can control or exercise significant influence over the companies

	2025	2024
On-balance sheet:		
– Loans and advances to customers	–	8,805
– Deposits from banks and other financial institutions	1	1
– Deposits from customers	11,444	14,362
Off-balance sheet:		
– Irrevocable guarantees	–	6
– Bills of acceptances	–	3
Interest income	–	412
Interest expense	(424)	(200)
Net fee and commission income	7	66
Operating expenses	(3,550)	(3,330)
Other net income	12	–

(e) Associates and joint ventures other than those disclosed in Note 61(c)

	2025	2024
On-balance sheet:		
– Placements with banks and other financial institutions	13,300	12,800
– Loans and advances to customers	–	6,459
– Deposits from banks and other financial institutions	1,845	1,055
– Deposits from customers	553	658
– Lease liabilities	6	–
Off-balance sheet:		
– Irrevocable guarantees	–	2
Interest income	271	775
Interest expense	(31)	(35)
Net fee and commission income	1,383	1,722
Operating expenses	(46)	(197)
Other net income	49	16

61. Material related party transactions *(continued)*

(f) Other major shareholders holding more than 5% shares of the Bank and exercising significant influence over the Bank

	2025	2024
On-balance sheet:		
– Placements with banks and other financial institutions	**400**	–
– Loans and advances to customers	**46,756**	46,929
– Financial investments	**360**	250
– Deposits from banks and other financial institutions	**2,508**	4,439
– Deposits from customers	**29,019**	24,718
– Lease liabilities	**15**	13
Off-balance sheet:		
– Irrevocable guarantees	**10,153**	12,979
– Irrevocable letters of credit	**3,136**	4,349
– Irrevocable loan commitments	**1,089**	1,000
– Bills of acceptances	**2,599**	5,398
Interest income	**1,525**	1,455
Interest expense	**(553)**	(405)
Net fee and commission income	**144**	177
Operating expenses	**(8)**	(2)
Other net income	**762**	553

(g) Subsidiaries

	2025	2024
On-balance sheet		
– Balances with banks and other financial institutions	**1,487**	5,585
– Placements with banks and other financial institutions	**33,057**	26,848
– Loans and advances to customers	**12,957**	15,984
– Financial investments	**2,048**	1,526
– Deposits from banks and other financial institutions	**16,293**	6,552
– Deposits from customers	**9,288**	8,100
Off-balance sheet		
– Irrevocable letters of credit	–	–
– Bills of acceptances	–	–
Interest income	**1,272**	1,434
Interest expense	**(131)**	(120)
Net fee and commission income	**597**	591
Operating expenses	**(6,352)**	(6,614)
Other net income	**907**	610

All significant balances and transactions between the Bank and its subsidiaries have been eliminated in the consolidated financial statements.

(h) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors, supervisors and executive officers.

	2025 RMB'000	2024 RMB'000
Salaries and other emoluments	**33,679**	35,001
Discretionary bonuses	–	–
Contributions to defined contribution retirement schemes	–	–
Total	**33,679**	**35,001**

61. Material related party transactions *(continued)*

(i) Annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2025 and 2024.

62. Non-controlling interests

Non-controlling interests represent the interests that the Group does not hold in the subsidiaries, the Group does not have any subsidiary with significant non-controlling interests during the reporting period.

63. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases, such transfers may give rise to full or partial derecognition of the financial assets concerned, and in other cases the transfers may not qualify for derecognition as the Group retains substantially all the risks and rewards of these transferred assets. As a result, the Group continues to recognise these transferred assets.

Securitisation of credit assets

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group may acquire certain investments at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise 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 are securitised and qualified for derecognition, based on the criteria set out in Note 4(5), the Group derecognises the transferred credit assets in their entirety. During the year of 2025, the Group transferred loans amounting to RMB34,232 million (2024: RMB22,569 million) in securitisation arrangements, as well as substantially all the risks and rewards associated with the loans. The full amount of such securitised loans were then derecognised.

In the cases that the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and for which the Group retains control, the Group recognises an asset in the consolidated statement of financial position to the extent of the Group's continuing involvement in the transferred assets, the remaining portion is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards exposed by the Group to the value changes of the transferred assets. For the year ended 31 December 2025, there were nil as of new securitised credit assets in which the Group retained the continuing involvement (2024: Nil). The carrying amount of the continuing involvement asset and the corresponding continuing involvement liability, are recognised in other assets and other liabilities in the consolidated statement of financial position, amounting to RMB5,274 million as at 31 December 2025 (31 December 2024: RMB5,274 million).

Transfers of credit assets to third parties

During the year of 2025, in addition to securitisation transactions, the Group has not transferred credit assets (2024: RMB8 million) to independent third parties directly. The Group determined that these transferred assets qualified for full derecognition, based on the criteria set out in Note 4(5), since the Group has transferred substantially all the risks and rewards of the transferred assets to the counterparties.

Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities, discounted bills held by counterparties as collateral under repurchase agreements and securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under agreements to repurchase in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group determines that it retains substantially all the risks and rewards of these securities and therefore does not derecognise them. Instead, it recognises a financial liability for cash received as collateral.

64. Interests in unconsolidated structured entities

The scope of the Group's consolidated financial statements is determined on a control basis. Control means that the investor has the power over the investee, enjoys variable returns by participating in the relevant activities of the investee, and has the ability to use the power to affect the amount of its return.

The Group has the power over structured entities, and the other investors have no substantive rights. In the meantime, the Group is entitled to variable returns, and will consolidate entities, in which the Group has the right to affect the amount of its return.

In addition to the above-mentioned structured entities that have been included in the Group's consolidated financial statements, the Group's interests in structured entities which is not covered by the consolidated financial statements is as follows:

(a) Interests in the structured entities sponsored by third parties institutions

The Group holds interests in some structured entities sponsored by third parties through investments in the units issued by these structured entities. Such interests include investments in wealth management products, asset management schemes, trust beneficiary rights, assets-backed securities and fund investments, and the Group does not consolidate these structured entities. The purpose of the Group holding these structured entities is to obtain investment income, capital appreciation or both.

The following tables set out an analysis of the balance of interests held by the Group in the structured entities sponsored by third parties and an analysis of the line items in the consolidated statement of financial positions as at 31 December 2025 and 31 December 2024:

	2025				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	9,073	67,642	200	76,915	76,915
Trust beneficiary rights	181	7,311	–	7,492	7,492
Asset-backed securities	850	464	46,903	48,217	48,217
Fund investments	255,474	–	–	255,474	255,474
Wealth management products	880	–	–	880	880
Total	266,458	75,417	47,103	388,978	388,978

	2024				
	Balance				
	Financial investments at FVTPL	Debt investments at amortised cost	Debt investments at FVTOCI	Total	Maximum exposure
Asset management schemes	596	69,168	–	69,764	69,764
Trust beneficiary rights	163	12,942	–	13,105	13,105
Asset-backed securities	1,755	1,818	43,911	47,484	47,484
Fund investments	334,929	–	–	334,929	334,929
Wealth management products	432	–	–	432	432
Total	337,875	83,928	43,911	465,714	465,714

The maximum exposures of investments in funds, trust beneficiary rights, asset management schemes, wealth management products and asset-backed securities are the balance of these assets.

64. Interests in unconsolidated structured entities *(continued)*

(b) Interests in the unconsolidated structured entities sponsored by the Group

The unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products, funds and assets management schemes. 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 issuance of investment products to investors. Interest of the Group in these unconsolidated structured entities is limited to fees and commissions charged for management services provided.

As at 31 December 2025, the amount of unconsolidated non-principal-guaranteed wealth management products sponsored by the Group was RMB2,643,750 million (31 December 2024: RMB2,470,334 million).

As at 31 December 2025, the amount of unconsolidated funds sponsored by the Group was RMB1,413,031 million (31 December 2024: RMB1,320,359 million).

As at 31 December 2025, the amount of unconsolidated asset management schemes sponsored by the Group was RMB245,943 million (31 December 2024: RMB299,261 million).

As at 31 December 2025, amounts held under resale agreements transacted between the Group and the non-principal-guaranteed wealth management products sponsored by the Group was nil (31 December 2024: RMB18,397 million). The above transactions were conducted in accordance with normal business terms and conditions.

As at 31 December 2025, the amount of unconsolidated non-principal-guaranteed wealth management products held by the Group was RMB3,557 million (31 December 2024: RMB2,703 million).

As at 31 December 2025, the amount of unconsolidated funds held by the Group was RMB9,748 million (31 December 2024: RMB9,022 million).

During the year ended 31 December 2025, the amount of fee and commission income the Group received from such non-principal-guaranteed wealth management products was RMB9,785 million (2024: RMB9,088 million).

During the year ended 31 December 2025, the amount of fee and commission income the Group received from such unconsolidated funds was RMB7,060 million (2024: RMB6,288 million).

During the year ended 31 December 2025, the amount of fee and commission income the Group received from such unconsolidated asset management schemes was RMB770 million (2024: RMB637 million).

The total amount of non-principal-guaranteed wealth management products sponsored by the Group after 1 January 2025 with a maturity date before 31 December 2025 was RMB213,494 million (2024: RMB366,222 million).

65. Events after the reporting period

On 13 March 2026, the Bank issued the *ANNOUNCEMENT ON THE PROPOSED REDEMPTION OF THE DOMESTIC PREFERENCE SHARES*. As considered and approved by the two directors who were delegated from the board of directors by authorization of the shareholders' general meeting of the Company, and approved by the NFRA, the Company proposes to redeem all of the Preference Shares in full on 15 April 2026. The Company proposes to redeem all 275 million Domestic Preference Shares with a nominal value of RMB100 per Preference Share, totalling an aggregate redemption size of RMB27.5 billion.

66. Comparative figures

Certain comparative figures in the notes have been re-presented to conform to presentation in current year.

Unaudited Supplementary Financial Information

(Expressed in millions of Renminbi unless otherwise stated)

(A) Capital adequacy ratio

The Group's capital adequacy ratio was prepared solely in accordance with the NFRA's *Rules on Capital Management of Commercial Banks*. The bases used herein may differ from those adopted in Hong Kong or other countries and regions.

	2025	2024
Common equity tier 1 adequacy ratio	**14.16%**	14.86%
Tier 1 capital adequacy ratio	**16.51%**	17.48%
Capital adequacy ratio	**18.24%**	19.05%
Components of capital base		
Common equity tier 1:		
Qualifying portion of share capital	**25,220**	25,220
Qualifying portion of capital reserve	**65,404**	65,548
Surplus reserve	**136,233**	122,614
General reserve	**163,481**	155,404
Retained earnings	**669,370**	626,082
Qualifying portion of non-controlling interests	**–**	–
Other (note (i))	**21,013**	41,524
Total common equity tier 1	**1,080,721**	1,036,392
Regulatory deductions from common equity tier 1	**13,161**	13,344
Net common equity tier 1	**1,067,560**	1,023,048
Additional tier 1 capital (note (ii))	**177,457**	180,446
Net tier 1 capital	**1,245,017**	1,203,494
Tier 2 capital:		
Qualifying portion of tier 2 capital instruments and their premium	**–**	–
Surplus provision for impairment	**130,014**	108,248
Qualifying portion of non-controlling interests	**–**	–
Total tier 2 capital	**130,014**	108,248
Regulatory deductions from common equity Tier 2 capital	**–**	–
Net tier 2 capital	**130,014**	108,248
Net capital	**1,375,031**	1,311,742
Total risk-weighted assets (taking into consideration the capital floor requirements)	**7,540,202**	6,885,783

Notes:

(i) Under the NFRA*'s Rules on the Capital Management of Commercial Banks*, other includes accumulated other comprehensive income, etc.

(ii) The Group's additional tier 1 capital includes preference shares, perpetual bonds, etc.

In 2025, in accordance with the Advanced Measurement Approach approved by former CBIRC in April 2014, the Bank's common equity tier 1 adequacy ratio is 13.74%, tier 1 capital adequacy ratio is 16.15%, capital adequacy ratio is 17.95%, net capital is RMB1,220,932 million and total risk-weighted assets is RMB6,801,840 million (taking into consideration the capital floor requirements).

In 2025, the Group's common equity tier 1 adequacy ratio was 11.92%, tier 1 capital adequacy ratio was 13.90%, capital adequacy ratio was 15.00%, net capital was RMB1,343,023 million and total risk-weighted assets were RMB8,954,305 million, using the Weighted Approach for credit risk, the Standardised Approach for market risk and the Standardised Approach for operational risk in the calculations.

In 2025, the Bank's common equity tier 1 adequacy ratio was 11.38%, tier 1 capital adequacy ratio was 13.37%, capital adequacy ratio was 14.47%, net capital was RMB1,188,894 million and total risk-weighted assets were RMB8,215,906 million, using the Weighted Approach for credit risk, the Standardised Approach for market risk and the Standardised Approach for operational risk in the calculations.

(B) Leverage ratio

In accordance with the NFRA's *Rules on Capital Management of Commercial Banks*, the Group's leverage ratio is shown below. The basis used herein may differ from those adopted in Hong Kong or other countries and regions.

The difference between regulatory items and accounting items:

		31 Dec 2025	30 Sep 2025
1	Total consolidated assets as per published financial statements	**13,070,523**	12,644,075
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**(98,297)**	(90,696)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**–**	–
4	Adjustments for derivative financial instruments	**37,203**	38,085
5	Adjustment for securities financing transactions	**98**	–
6	Adjustment for off-balance sheet items	**2,559,519**	2,517,096
7	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	**–**	–
8	Adjustment for unsettled financial assets	**(19)**	(96)
9	Adjustments for eligible cash pooling transactions	**–**	–
10	Adjustments for temporary exemption of central bank reserves (if applicable)	**–**	–
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	**–**	–
12	Other adjustments	**(13,161)**	(13,194)
13	**Leverage ratio exposure measure**	**15,555,866**	15,095,270

(B) Leverage ratio *(continued)*

Leverage ratio, net tier 1 capital, adjusted on-balance sheet and off-balance sheet assets and other information:

		31 Dec 2025	30 Sep 2025
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs))	**13,003,558**	12,767,589
2	Less: Specific and general provisions associated with on-balance sheet exposures deducted in determining Tier 1 capital	**(306,625)**	(315,836)
3	Less: Asset amounts deducted in determining Basel III Tier 1 capital	**(13,161)**	(13,194)
4	**Adjusted on-balance sheet exposures (excluding derivatives and SFTs)**	**12,683,772**	12,438,559
Derivative exposures			
5	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**6,873**	9,478
6	Add-on amounts for potential future exposure associated with all derivatives transactions	**48,247**	46,543
7	Gross-up for derivatives collateral provided where deducted from the balance sheet assets	**–**	–
8	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions	**–**	–
9	Less: Exempted central counterparty leg of client-cleared trade exposures	**–**	–
10	Effective notional amount of written credit derivatives	**906**	1,151
11	Less: Adjusted effective notional deductions for written credit derivatives	**(1)**	(1)
12	**Derivative exposures**	**56,025**	57,171
Securities financing transaction exposures			
13	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	**256,452**	82,444
14	Less: netted amounts of cash payables and cash receivables of gross SFT assets	**–**	–
15	Counterparty credit risk exposure for SFT assets	**98**	–
16	Agent transaction exposures	**–**	–
17	**Total securities financing transaction exposures**	**256,550**	82,444
Other off-balance sheet exposures			
18	Off-balance sheet exposure at gross notional amount	**10,765,965**	10,667,042
19	Less: adjustments for conversion to credit equivalent amounts	**(8,190,828)**	(8,133,622)
20	Less:Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital	**(15,618)**	(16,324)
21	**Off-balance sheet items**	**2,559,519**	2,517,096
Capital and total exposures			
22	Tier 1 capital	**1,245,017**	1,241,293
23	**Total exposures**	**15,555,866**	15,095,270

(B) Leverage ratio *(continued)*

Leverage ratio, net tier 1 capital, adjusted on-balance sheet and off-balance sheet assets and other information: *(continued)*

		31 Dec 2025	30 Sep 2025
Leverage ratio			
24	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)	**8.00%**	8.22%
24a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)	**8.00%**	8.22%
25	National minimum leverage ratio requirement	**4.00%**	4.00%
26	Applicable leverage buffers	**0.375%**	0.375%
Disclosure of mean values			
27	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**148,893**	167,250
27a	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	**256,452**	82,444
28	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**15,448,307**	15,180,076
28a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**15,448,307**	15,180,076
29	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**8.06%**	8.18%
29a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 27 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	**8.06%**	8.18%

(C) Liquidity coverage ratio

The Group prepared and disclosed information on liquidity coverage ratio in accordance with the "Measures for the Disclosure of Information on Liquidity Coverage Ratio by Commercial Banks". The basis used herein may differ from those adopted in Hong Kong or other countries and regions. The average of liquidity coverage ratio of the Group was 175.51% in the fourth quarter of 2025, an increase of 13.93 percentage points from the previous quarter, which was mainly caused by the increase of high quality liquid assets. The liquidity coverage ratio of the Group at the end of the fourth quarter of 2025 was 200.03%, which met the regulatory requirements in 2025. The breakdown of the Group's average value of each item of liquidity coverage ratio in the fourth quarter of 2025 is set out below:

Serial No.		Unweighted amount (average value)	Weighted amount (average value)
Stock of high quality liquid assets			
1	**Total stock of high quality liquid assets**		**2,777,244**
Cash outflows			
2	Retail and small business customers deposits, of which:	4,591,920	406,956
3	Stable deposits	1,044,708	52,235
4	Less stable deposits	3,547,212	354,721
5	Unsecured wholesale funding, of which:	5,028,918	1,758,074
6	Operational deposits (excluding correspondent banks)	2,751,970	679,436
7	Non-operational deposits (including all counterparties)	2,270,199	1,071,889
8	Unsecured debt issuance	6,749	6,749
9	Secured funding		37
10	Additional requirements, of which:	2,565,883	716,395
11	Cash outflows arising from derivative contract and other transactions arising from related collateral requirements	595,795	595,795
12	Cash outflows arising from secured debt instruments funding	–	–
13	Undrawn committed credit and liquidity facilities	1,970,088	120,600
14	Other contractual obligations to extend funds	118,723	118,723
15	Other contingent funding obligations	4,194,346	131,379
16	**Total cash outflows**		**3,131,564**
Cash inflows			
17	Secured lending (including reverse repo and securities borrowing)	149,312	147,471
18	Contractual inflows from fully performing loans	1,186,913	804,503
19	Other cash inflows	595,412	595,012
20	**Total cash inflows**	**1,931,637**	**1,546,986**

		Adjusted value
21	**Total stock of high quality liquid assets**	**2,777,244**
22	**Net cash outflows**	**1,584,578**
23	**Liquidity coverage ratio (%)**	**175.51%**

Notes:

(i) The data in the above table is a simple arithmetic average of the 92-day value for the latest quarter.

(ii) The high quality liquid assets in the above table are prepared based on cash and the central bank reserve available under pressure conditions, as well as the bond in line with definition of Tier 1 and Tier 2 assets set out in the "Measures for the Liquidity Risk Management of Commercial Banks".

(D) Net stable funding ratio

The Group prepared and disclosed information on Net Stable Funding Ratio in accordance with the "Measures for the Disclosure of Information on Net Stable Funding Ratio by Commercial Banks". The Group's Net Stable Funding Ratio at the end of the fourth quarter of 2025 was 142.02%, representing an increase of 6.04 percentage points as compared with the previous quarter, which was maintained basically stable. The breakdown of the Group's Net Stable Fund Ratio in the last two quarters is set out below:

31 December 2025

		Unweighted amount				Weighted amount
Serial No.		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Available stable funding (ASF) item						
1	Capital	1,258,177	–	–	–	1,258,177
2	Regulatory capital	1,258,177	–	–	–	1,258,177
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from Small business customer	2,771,731	2,264,568	35,640	8,278	4,630,164
5	Stable deposits	1,132,172	9,667	992	335	1,086,024
6	Less stable deposits	1,639,559	2,254,901	34,648	7,943	3,544,140
7	Wholesale funding	3,006,770	2,673,836	198,600	314,356	3,040,205
8	Operational deposits	2,749,530	–	–	–	1,374,765
9	Other wholesale funding	257,240	2,673,836	198,600	314,356	1,665,440
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	22,344	225,133	76,407	177,500	190,495
12	NSFR derivative liabilities				25,209	
13	All other liabilities and equity not included in the above categories	22,344	225,133	76,407	152,291	190,495
14	**Total ASF**					9,119,041
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					443,300
16	Deposits held at other financial institutions for operational purposes	36,133	21,802	1	5	29,794
17	Performing loans and securities	165,022	2,806,438	1,600,470	4,333,418	5,384,705
18	Performing loans to financial institutions secured by Level 1 HQLA	–	245,019	–	–	36,753
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	207	754,297	155,428	58,875	249,825
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,549,469	1,352,427	2,625,168	3,650,654
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	69,490	31,171	158,435	153,313
22	Performing residential mortgages, of which:	–	30,473	30,569	1,356,693	971,495
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	25,480	25,529	1,061,077	715,204
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	164,815	227,180	62,046	292,682	475,978
25	Assets with matching interdependent liabilities	–	–	–	–	–

(D) Net stable funding ratio *(continued)*

31 December 2025 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Required stable funding (RSF) item *(continued)*						
26	Other assets	**94,043**	**124,155**	**37,579**	**83,238**	**313,284**
27	Physical traded commodities, including gold	**38,673**				**32,872**
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				**525**	**446**
29	NSFR derivative assets				**26,936**	**1,727**
30	NSFR derivative liabilities before deduction of variation margin posted				**5,360**	**5,360**
31	All other assets not included in the above categories	**55,370**	**124,155**	**37,579**	**55,777**	**272,879**
32	Off-balance sheet items				**6,610,172**	**249,682**
33	**Total RSF**					**6,420,765**
34	**Net Stable Funding Ratio (%)**					**142.02%**

30 September 2025

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Available stable funding (ASF) item						
1	Capital	1,254,484	–	–	–	1,254,484
2	Regulatory capital	1,254,484	–	–	–	1,254,484
3	Other capital instruments	–	–	–	–	–
4	Retail deposits and deposits from Small business customer	2,573,047	2,214,898	41,562	9,337	4,409,673
5	Stable deposits	1,064,643	9,699	1,263	905	1,022,729
6	Less stable deposits	1,508,404	2,205,199	40,299	8,432	3,386,944
7	Wholesale funding	2,807,652	2,754,352	199,374	295,420	2,963,955
8	Operational deposits	2,734,302	–	–	–	1,367,151
9	Other wholesale funding	73,350	2,754,352	199,374	295,420	1,596,804
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities	3,787	226,882	73,672	153,559	168,736
12	NSFR derivative liabilities				21,659	
13	All other liabilities and equity not included in the above categories	3,787	226,882	73,672	131,900	168,736
14	**Total ASF**					8,796,848
Required stable funding (RSF) item						
15	Total NSFR high-quality liquid assets (HQLA)					423,725
16	Deposits held at other financial institutions for operational purposes	65,417	11,504	2	–	38,670
17	Performing loans and securities	167,621	2,524,993	1,647,024	4,237,255	5,477,685
18	Performing loans to financial institutions secured by Level 1 HQLA	–	78,117	–	–	11,718
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	136	685,034	238,215	45,719	268,875
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	1,541,570	1,267,353	2,551,680	3,540,637
21	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	69,726	49,887	163,766	166,254

(D) Net stable funding ratio *(continued)*

30 September 2025 *(continued)*

Serial No.		Unweighted amount				Weighted amount
		No maturity	< 6 months	6 months to 12 months	≥ 12 months	
Required stable funding (RSF) item *(continued)*						
22	Performing residential mortgages, of which:	–	30,367	30,478	1,365,625	1,188,802
23	With a risk weight of less than or equal to 35% under the Basel II standardized approach for credit risk	–	–	–	–	–
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	167,485	189,905	110,978	274,231	467,653
25	Assets with matching interdependent liabilities	–	–	–	–	–
26	Other assets	51,868	104,381	37,613	111,106	283,721
27	Physical traded commodities, including gold	20,740				17,629
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				716	608
29	NSFR derivative assets				26,723	5,064
30	NSFR derivative liabilities before deduction of variation margin posted				4,882	4,882
31	All other assets not included in the above categories	31,128	104,381	37,613	83,667	255,538
32	Off-balance sheet items				6,396,433	245,644
33	**Total RSF**					6,469,445
34	**Net Stable Funding Ratio (%)**					135.98%

Notes:

(i) The Group calculates Net Stable Funding Ratio in accordance with the "Measures for the Liquidity Risk Management of Commercial Banks" and relevant statistical regulations.

(ii) Items to be reported in the "no maturity" time include, but are not limited to, items such as capital with perpetual maturity, non-maturity deposits, short positions, open maturity positions, non-HQLA equities and physical traded commodities.

(iii) The item 26 "Other assets" unweighted amount in the above table does not include the item 30 "NSFR derivative liabilities before deduction of variation margin posted".

(E) Currency concentrations other than RMB

	2025			
	USD	HKD	Other	Total
	(in millions of RMB)			
Non-structural position				
Spot assets	**812,631**	**223,356**	**78,531**	**1,114,518**
Spot liabilities	**749,090**	**221,585**	**83,841**	**1,054,516**
Forward purchased	**709,391**	**55,995**	**41,061**	**806,447**
Forward written	**744,142**	**51,676**	**43,364**	**839,182**
Net option position	**12,843**	**15,879**	**6,692**	**35,414**
Net long position	**41,633**	**21,969**	**(921)**	**62,681**
Net structural position	**19,138**	**31,101**	**493**	**50,732**

	2024			
	USD	HKD	Other	Total
	(in millions of RMB)			
Non-structural position				
Spot assets	748,358	193,593	74,475	1,016,426
Spot liabilities	694,927	195,071	81,157	971,155
Forward purchased	738,325	31,449	49,354	819,128
Forward written	794,768	13,811	44,774	853,353
Net option position	14,498	(116)	661	15,043
Net long position	11,486	16,044	(1,441)	26,089
Net structural position	14,190	36,476	100	50,766

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the "HKMA"). The net structural position of the Group includes the structural positions of the Bank's branches substantially involved in foreign exchange.

(F) International claims

The Group is principally engaged in business operations within the mainland China, and regards all claims on third parties outside the mainland China and claims in foreign currencies on third parties within the mainland China as international claims.

International claims include loans and advances, balances and placements with banks and other financial institutions, holdings of trade bills, certificates of deposit and securities investment.

International claims have been disclosed by different countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk is transferred only when the claims are guaranteed by a party in 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.

	2025			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currencies transactions in the mainland China	105,058	20,879	104,462	230,399
Asia Pacific excluding the mainland China	78,000	35,609	228,764	342,373
– of which attributed to Hong Kong	27,791	29,301	189,683	246,775
Europe	32,391	5,387	37,286	75,064
North and South America	53,057	142,565	26,703	222,325
Total	268,506	204,440	397,215	870,161

	2024			
	Banks and other financial institutions	Public sector entities	Other	Total
Foreign currencies transactions in the mainland China	122,484	12,623	120,710	255,817
Asia Pacific excluding the mainland China	78,918	31,004	216,901	326,823
– of which attributed to Hong Kong	47,984	24,822	190,446	263,252
Europe	24,834	6,193	21,654	52,681
North and South America	44,952	154,054	24,865	223,871
Total	271,188	203,874	384,130	859,192

(G) Further analysis on loans and advances to customers analysed by industry sector

Operation in the mainland China

	2025		2024	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Manufacturing	739,562	14	652,430	16
Transportation, storage and postal services	518,959	40	497,123	39
Production and supply of electric power, heat, gas and water	390,405	33	333,400	29
Property development	290,743	69	287,798	64
Wholesale and retail	274,763	11	222,593	14
Leasing and commercial services	238,521	10	186,736	14
Telecommunications, software and IT services	165,130	26	124,026	34
Construction	107,096	10	105,294	14
Finance	73,610	15	89,007	14
Mining	65,091	11	49,632	15
Water, environment and public utilities management	34,891	35	36,728	40
Other	97,591	20	88,901	23
Subtotal of corporate loans and advances	2,996,362	27	2,673,668	28
Discounted bills	322,117	100	379,950	100
Residential mortgage	1,411,084	100	1,404,101	100
Credit cards	938,993	–	947,712	–
Micro-finance loans	873,750	78	824,128	78
Consumer loans	426,653	–	396,161	1
Other	3,867	74	5,388	82
Subtotal of retail loans and advances	3,654,347	57	3,577,490	57
Gross amount of loans and advances to customers	6,972,826	46	6,631,108	48

(G) Further analysis on loans and advances to customers analysed by industry sector *(continued)*

Operation outside the mainland China

	2025		2024	
	Amount	% of gross loans and advances covered by collateral or other security	Amount	% of gross loans and advances covered by collateral or other security
Finance	72,507	9	51,257	18
Transportation, storage and postal services	50,569	23	44,972	8
Property development	22,908	32	30,753	29
Production and supply of electric power, heat, gas and water	17,624	16	9,856	8
Manufacturing	13,850	13	17,200	16
Telecommunications, software and IT services	13,078	–	10,991	3
Leasing and commercial services	9,441	12	7,756	11
Wholesale and retail	4,733	16	5,118	10
Mining	3,926	–	2,335	–
Construction	3,520	1	2,672	1
Water, environment and public utilities management	1,256	–	1,051	–
Other	5,976	30	6,111	48
Subtotal of corporate loans and advances	**219,388**	**15**	**190,072**	**16**
Residential mortgage	14,152	100	13,349	100
Credit cards	122	–	131	–
Micro-finance loans	1,946	100	1,315	100
Other	49,624	98	52,340	99
Subtotal of retail loans and advances	**65,844**	**98**	**67,135**	**99**
Gross amount of loans and advances to customers	**285,232**	**35**	**257,207**	**37**

When the amount of loans and advances to customers for an industry/category accounts for 10% or above of the total amount of loans and advances to customers, the amount of overdue loans, impaired loans and credit impairment allowances in each expected credit losses stage are disclosed as follows:

	2025				
	Overdue loans and advances	Impaired loans and advances	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit impaired)
Manufacturing	2,897	3,260	23,577	2,327	3,032
Residential mortgage	12,613	7,231	3,563	4,652	4,813
Credit card	31,079	16,373	14,115	24,820	14,469
Micro-business loan	12,459	10,663	10,864	2,834	9,519

	2024				
	Overdue loans and advances	Impaired loans and advances	– Stage 1 (12-month ECL)	– Stage 2 (Lifetime ECL – not credit-impaired)	– Stage 3 (Lifetime ECL – credit impaired)
Manufacturing	2,312	3,250	26,950	1,544	2,889
Residential mortgage	11,690	6,840	10,512	4,369	4,582
Credit card	36,667	16,560	21,667	20,351	14,985
Micro-business loan	8,032	6,538	11,223	3,086	5,493

As at 31 December 2025, for corporate loans and advances measured at amortised cost, the fair value of collateral held against impaired loans and advances is RMB5,818 million (31 December 2024: RMB5,261 million).

(H) Loans and advances to customers overdue for more than 90 days

(i) By geographical segments

	2025	2024
Headquarters	**11,692**	12,621
Yangtze River Delta region	**12,067**	10,431
Bohai Rim region	**4,010**	5,118
Pearl River Delta and West Coast region	**10,067**	8,647
Northeast region	**1,466**	1,280
Central region	**4,710**	4,361
Western region	**3,954**	3,819
Outside the mainland China	**338**	352
Subsidiaries	**3,791**	3,018
Total	**52,095**	49,647

(ii) By overdue period

	2025	2024
Gross amount of loans and advances to customers which have been overdue with respect to either principal or interest for periods of:		
– between 3 and 6 months (inclusive)	**13,569**	13,712
– between 6 and 12 months (inclusive)	**13,097**	11,489
– over 12 months	**25,429**	24,446
Total	**52,095**	49,647
As a percentage of total gross amount of loans and advances to customers:		
– between 3 and 6 months (inclusive)	**0.19%**	0.20%
– between 6 and 12 months (inclusive)	**0.18%**	0.17%
– over 12 months	**0.35%**	0.35%
Total	**0.72%**	0.72%

(iii) Collateral information

	2025	2024
Secured portion of overdue loans and advances	**22,625**	20,453
Unsecured portion of overdue loans and advances	**29,470**	29,194
Fair value of collateral held against overdue loans and advances	**60,832**	60,051

The amount of the Group's overdue loans and advances to financial institutions for more than 90 days as at 31 December 2025 was nil (31 December 2024: Nil).

Note: The above analysis represents loans and advances overdue for more than 90 days as required and defined by the HKMA.

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

For loans and advances repayable by regular installments, if part of the installments is overdue, the whole amount of these loans would be classified as overdue.

Loans and advances repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances repayable on demand are outside the approved limit that was advised to the borrower, they were also considered as overdue.

The collateral of the Group included cash deposit, shares, land use right, property, motor vehicles and other equipment, etc. The fair value of collateral was estimated by management based on the latest available external valuations adjusted by taking into account the current realisation experience as well as market situation.

Where collateral values are greater than gross advances, only the amount of collateral up to the gross advance had been included in the "secured portion of overdue loans and advances" as set out in the above tables.

(I) Renegotiated loans and advances to customers

	2025		2024	
	Amount	% of total loans and advances	Amount	% of total loans and advances
Renegotiated loans and advances to customers	**28,307**	**0.39%**	24,826	0.36%
Less:				
– Renegotiated loans and advances to customers overdue more than 90 days	**8,165**	**0.11%**	8,084	0.12%
– Renegotiated loans and advances to customers less than 90 days	**20,142**	**0.28%**	16,742	0.24%

The Group adopts the measures for Risk Classification of Financial Assets of Commercial Banks (CBIRC PBC Order [2023] No.1) for its rescheduled loans and advances to customers.

The amount of the Group's renegotiated loans and advances to financial institutions as at 31 December 2025 was RMB76 million (31 December 2024: nil).

(J) Non-bank the mainland china exposures

The Bank is a commercial bank incorporated in the mainland China with its banking business primarily conducted in the mainland China. As of 31 December 2025 and 31 December 2024, most of the Bank's exposures arose from businesses with the mainland China non-bank institutions or individuals. Analyses of various types of exposure by counterparty have been disclosed in the notes to the financial report.

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