



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

A Share Stock Code : 601916

H Share Stock Code : 2016

2026

Interim Report



IMPORTANT NOTICE

1. The Board of Directors, Directors and Senior Management of the Company warrant that the contents in this report are true, accurate and complete and contain no false records, misleading statements, or material omissions, and they jointly and severally accept full legal responsibility for the report.
2. This report was approved at the ninth meeting of the seventh session of the Board of the Company on August 26, 2026. The Company has 12 Directors, among which 11 Directors attended the meeting in person, and Lyu Linhua (Director) appointed Chen Haiqiang (Director) as a proxy to attend the meeting on his behalf, which is in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company.
3. As of the disclosure date of this report, the Company had no plans for interim profit distribution or transfer from reserves to share capital.
4. Unless otherwise illustrated in this report, the currency for any amount herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.
5. The interim financial report for 2026 of the Company is unaudited.
6. Chen Haiqiang (陳海強), Chairman of the Board of the Company, Lyu Linhua (呂臨華), President, Jing Feng (景峰), Principal in charge of Finance, and Zhang Jian (張簡), Director of the Financial Department warrant that the financial report in this report is true, accurate and complete.

SIGNIFICANT RISK WARNING

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

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

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DEFINITIONS

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

COMPANY PROFILE

1.	Company name in Chinese: Company name in English:	浙商银行股份有限公司(Abbreviation in Chinese: 浙商银行) CHINA ZHESHANG BANK CO., LTD. (Abbreviation in English: CZBANK)
2.	Legal Representative:	Chen Haiqiang
3.	Registered address: Postcode: Principal office address: Postcode: E-mail: Website: Customer service and complaint hotline: Tel for investor relations management: Fax:	No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC 311200 No. 1 Minxin Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC 310020 ir@czbank.com www.czbank.com 95527 86-571-88268966 86-571-87659826
4.	Principal place of business in Hong Kong:	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong, the PRC
5.	Authorized representatives:	Chen Haiqiang, Luo Feng
6.	Secretary to the Board: Joint Company Secretaries: Representative of securities affairs:	Luo Feng Luo Feng, Chan Yin Wah Chen Ning
7.	A Shares Stock exchange where the securities are listed: Stock abbreviation: Stock code: H Shares Stock exchange where the securities are listed: Stock abbreviation: Stock code:	Shanghai Stock Exchange CZBANK 601916 Hong Kong Stock Exchange CZBANK 2016

COMPANY PROFILE

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

CORPORATE OVERVIEW

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

Anchoring the development vision of being “a first-class commercial bank”, CZBank has always adhered to taking the comprehensive strengthening of the Party’s leadership as the fundamental guarantee, taking Deepening the Development in Zhejiang and serving the real economy as the foothold, taking reform and innovation and refining governance as the basic path, and taking risk prevention and safe development as the bottom-line requirement. We thoroughly practice the four strategic paths, focus on promoting the “1155” operation strategy, continuously build distinctive competitive advantages, systematically consolidate the foundation for steady development, and embark on a new journey of high-quality development in all respects.

In the first half of 2026, CZBank’s operating income was RMB33.516 billion, representing a period-on-period increase of 0.75%; net profit attributable to shareholders of the Bank was RMB7.824 billion, representing a period-on-period increase of 2.05%. As at the end of the reporting period, total assets were RMB3.70 trillion, representing an increase of 6.17% compared with the end of last year, of which: total loans and advances to customers were RMB2.01 trillion, representing an increase of 4.55% compared with the end of last year; total liabilities were RMB3.48 trillion, representing an increase of 6.43% compared with the end of last year, of which: the balance of customer deposits was RMB2.18 trillion, representing an increase of 6.55% compared with the end of last year. The non-performing loan ratio was 1.36%, and allowance to non-performing loans was 155.85%.

As at the end of the reporting period, CZBank has established 377 branch outlets in 22 provinces (autonomous regions or municipalities directly under the Central Government) and the Hong Kong Special Administrative Region, effectively covering key areas such as Zhejiang, where its headquarters are located, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area. It controls two subsidiaries, namely Zheyin Financial Leasing and CZB Wealth Management. In the “Top 1000 World Banks 2026” ranking by The Banker, U.K., CZBank ranked 85th in terms of tier-one capital. China Chengxin International granted CZBank the highest AAA corporate credit rating among financial institutions, while S&P and Moody’s granted CZBank an “investment grade” in the international rating.

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS

1. VISION, MISSION AND CULTURE

Vision: To build a first-class commercial bank

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

Culture: Feel hearts, see deeds, envision the future

2. GUIDING PRINCIPLES

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

3. STRATEGIC GOALS

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

4. STRATEGIC PATH

To strive to achieve our vision, mission, and strategic goals, we will unswervingly follow the strategic paths of "developing the bank through quality service, upgrading the bank through refined management, invigorating the bank through technological innovation, and strengthening the bank through talent cultivation" over the next five years, comprehensively opening up a new situation of high-quality development.

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS

Developing the bank through quality service – Deepening comprehensive services. Adhere to the service positioning of Deepening the Development in Zhejiang and serving the modern industrial system, as well as the direction toward a low-capital transformation. Retail banking will remain a priority, corporate banking will solidify its role as the backbone and financial markets will establish itself as a distinctive benchmark, ultimately forming a development model where three growth drivers of corporate banking, retail banking and financial markets advance in unison. Centering on customer needs to build a “three-in-one” service system of customers, products and teams, carry out comprehensive customer operations, and create six distinctive business matrices of CZBank supply chain, Zheyin Financial Leasing, CZBank science and technology innovation, financial market of CZBank, CZBank cross-border, CZBank wealth as well as differentiated and characteristic service brands such as CZBank value-added services. Deeply cultivate the service orientation of “the head office serving branches, the middle and back offices serving the front office, the organization serving employees, and the whole bank serving development”, and build the comprehensive service capabilities of being “customer-centric”.

Upgrading the bank through refined management – Strengthening systematic management. Comprehensively build a “standardized, refined, empowered, systematic, and scientific” management system, and enhance the foresight, effectiveness and synergy of policies. Improve a system of organizations, institutions and processes that is comprehensive in coverage, clear in authority and responsibility, standardized and efficient, and robust in execution, and build a dynamic updating mechanism of “establishing, modifying and abolishing”. Strengthen the head office’s capabilities in leadership, empowerment, and oversight, implement the main responsibilities of branches for operational development such as customers, business, efficiency, and quality, promote sub-branches to consolidate basic management and strengthen execution, and achieve the integrated development of “building a strong head office, optimizing branches, and consolidating sub-branches”. Establish correct perspectives on business operations, performance and risk, adhere to connotative development, promote the coordinated efforts of cost reduction, quality improvement and efficiency enhancement, and continue to improve operational efficiency and value creation capabilities. Coordinate and improve resource allocation and assessment and incentive mechanisms, and stimulate market competition vitality from long-term value and systems perspectives.

Invigorating the bank through technological innovation – Maintaining a relatively leading position in key areas. Focus on the goal of high-quality business development, adopt a bank-wide integrated development perspective, and strengthen the comprehensive empowerment and efficient support of technology on operation and management. Systematically enhance bank-wide technological capabilities, reinforce digital and intelligent foundation and technical capacity building, and establish an advanced and resilient fintech system as well as a streamlined and efficient financial information infrastructure. Systematically advance the secure development and application of artificial intelligence (AI), and strengthen the effective implementation of AI applications. Improve the data governance system to fully unlock the value of data elements. Strengthen security measures for technology operations and improve the system for technology risk prevention, control and governance. Enhance the technological literacy of all employees, intensify training in technologies such as AI, and build a high-quality technology talent team.

Strengthening the bank through talent cultivation – Strengthening expert governance. Uphold the principles of “placing cadres and talents under Party’s supervision”, implement the Provincial Party Committee’s requirements of “Three Looks”, “Three Breaks” and “Three Arrivals”, and foster a sound political environment of a “striver-oriented philosophy” based on the employment principles of “having both ability and political integrity, being recognized by the masses, focusing on actual performance, matching people with positions, and tiered training”. Establish a distinct orientation giving priority to internal training, strengthen the reserve and selection of excellent young cadres and talents, establish tiered and classified systematic training mechanism, enhance bank-wide professional competence and expertise, and forge a cadre and talent team that is politically strong, capable and disciplined. Implement the bank-wide industry research “132N Five Policies in One” working mechanism, to provide professional support for the operation. Select and appoint the best candidates to leadership teams at all levels, enhance their professional capabilities, optimize their overall composition, and systematically strengthen the supervision and management of leading cadres, particularly “top leaders”.

FINANCIAL SUMMARY

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

KEY FINANCIAL DATA AND INDICATORS

	January to June 2026	January to June 2025	Increase (decrease) (%)	January to June 2024
Operating results (RMB million)				
Operating income	33,516	33,265	0.75	35,295
Profit before taxation	10,047	9,695	3.63	9,741
Net profit attributable to shareholders of the Bank	7,824	7,667	2.05	7,999

	January to June 2026	January to June 2025	Increase (decrease) (%)	January to June 2024
Per share (RMB)				
Basic earnings per share attributable to shareholders of the Bank ⁽¹⁾	0.28	0.28	Flat	0.29
Diluted earnings per share attributable to shareholders of the Bank ⁽¹⁾	0.28	0.28	Flat	0.29

	January to June 2026	January to June 2025	Increase/ decrease	January to June 2024
Profitability indicators (%)				
Return on average total assets ⁽²⁾	0.45	0.48	Decrease by 0.03 percentage point	0.52
Weighted average return on net assets ⁽³⁾	8.62	8.68	Decrease by 0.06 percentage point	9.65
Net interest margin [*]	1.56	1.69	Decrease by 0.13 percentage point	1.82
Net interest spread [*]	1.41	1.52	Decrease by 0.11 percentage point	1.61
Cost-to-income ratio ⁽⁴⁾	29.24	29.77	Decrease by 0.53 percentage point	28.91

	June 30, 2026	December 31, 2025	Increase (decrease) (%)	December 31, 2024
Scale indicators (RMB million)				
Total assets	3,695,800	3,481,092	6.17	3,325,539
Total loans and advances to customers	2,010,115	1,922,711	4.55	1,857,116
Total liabilities	3,484,355	3,273,757	6.43	3,122,796
Customer deposits	2,177,297	2,043,466	6.55	1,922,289
Equity attributable to shareholders of the Bank	206,655	202,868	1.87	198,903
Net assets per share at the end of the period attributable to shareholders of the Bank ⁽⁵⁾ (RMB)	6.61	6.48	2.01	6.33

	June 30, 2026	December 31, 2025	Increase/ decrease	December 31, 2024
Asset quality indicators (%)				
Non-performing loan ratio ⁽⁶⁾	1.36	1.36	Flat	1.38
Allowance to non-performing loans ⁽⁷⁾	155.85	155.37	Increase by 0.48 percentage point	178.67
Allowance to total loans ⁽⁷⁾	2.12	2.11	Increase by 0.01 percentage point	2.46

FINANCIAL SUMMARY

	June 30, 2026	December 31, 2025	Increase/ decrease	December 31, 2024
Capital adequacy indicators (%)				
Core tier-one capital adequacy ratio	8.37	8.40	Decrease by 0.03 percentage point	8.38
Tier-one capital adequacy ratio	9.55	9.60	Decrease by 0.05 percentage point	9.61
Capital adequacy ratio	11.55	12.12	Decrease by 0.57 percentage point	12.61

Notes:

* Annualized return rate.

- (1) Basic earnings per share attributable to shareholders of the Bank = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to other equity instruments of the Bank) divided by weighted average number of ordinary shares outstanding.
- (2) Return on average total assets = Net profit divided by the average balance of total assets at the beginning and at the end of the period.
- (3) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) issued by the CSRC.
- (4) Cost-to-income ratio = Operating expenses (excluding taxes and surcharges) divided by operating income.
- (5) Net assets per share attributable to shareholders of the Bank = (Equity attributable to shareholders of the Bank minus other equity instruments) divided by the total number of ordinary shares at the end of the period.
- (6) Since the 2023 annual report, the Bank has calculated the non-performing loan ratio and allowance to total loans in accordance with the Guidelines for the Calculation of Major Financial Indicators in China's Banking Industry (Yin Xie Fa [2023] No. 34) 《中國銀行業主要財務指標計算指引》銀協發[2023]34 號) issued by the China Banking Association, where: Non-performing loan ratio = Balance of non-performing loans divided by total loans and advances to customers (excluding interest accrued).
- (7) Allowance to non-performing loans = Balance of the allowance for ECLs of loans divided by balance of non-performing loans; allowance to total loans = Balance of the allowance for ECLs of loans divided by total loans and advances to customers (excluding interest accrued). There is no difference between the indicator for the Group and the Bank. According to the Notice on Adjusting the Regulatory Requirements for Loan Loss Provisions of Commercial Banks (Yin Jian Fa [2018] No. 7) 《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發[2018]7 號)), a differentiated and dynamically adjusted provision regulatory policy is implemented for joint-stock banks. The regulatory standards for the allowance to non-performing loans and allowance to total loans applicable to the Group are 140% and 2.1%.

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

The net profit attributable to shareholders of the Bank for the reporting period ended June 30, 2026 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the China Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Accounting Standards.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) ANALYSIS OF OVERALL OPERATION PERFORMANCE

During the reporting period, the Group anchored its vision of “a first-class commercial bank”, adhered to the fundamental guarantee of strengthening the Party’s leadership in an all-round way, and continued to deepen the establishment of a five-word political ecosystem, namely “integrity, simplicity, professionalism, cooperation and honesty”. It thoroughly practiced the four strategic paths, focused on the “1155” development strategy, deepened its customer-oriented comprehensive operation and management, actively promoted the digital transformation, and consolidated the foundations of operation, science and technology, and talents, promoting the high-quality development and steady and sustainable progress of the whole bank.

As at the end of the reporting period, total assets of the Group amounted to RMB3,695.800 billion, representing an increase of RMB214.708 billion or 6.17% compared with the end of last year. Of which total loans and advances to customers amounted to RMB2,010.115 billion, representing an increase of RMB87.404 billion or 4.55% compared with the end of last year. Total liabilities amounted to RMB3,484.355 billion, representing an increase of RMB210.598 billion or 6.43% compared with the end of last year. Of which: customer deposits amounted to RMB2,177.297 billion, representing an increase of RMB133.831 billion or 6.55% compared with the end of last year.

During the reporting period, operating income of the Group amounted to RMB33.516 billion, representing a period-on-period increase of RMB251 million or 0.75%, of which net interest income amounted to RMB22.352 billion, representing a period-on-period decrease of RMB694 million or 3.01%, and net non-interest income amounted to RMB11.164 billion, representing a period-on-period increase of RMB945 million or 9.25%. Net profit attributable to shareholders of the Bank amounted to RMB7.824 billion, representing a period-on-period increase of RMB157 million or 2.05%.

As at the end of the reporting period, the non-performing loan ratio was 1.36%, maintaining flat compared with the end of last year. Allowance to non-performing loans was 155.85%, representing an increase of 0.48 percentage point compared with the end of last year; allowance to total loans was 2.12%, representing an increase of 0.01 percentage point compared with the end of last year.

As at the end of the reporting period, the capital adequacy ratio of the Group was 11.55%, representing a decrease of 0.57 percentage point compared with the end of last year; the tier-one capital adequacy ratio was 9.55%, representing a decrease of 0.05 percentage point compared with the end of last year; the core tier-one capital adequacy ratio was 8.37%, representing a decrease of 0.03 percentage point compared with the end of last year, all satisfying the regulatory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) ANALYSIS OF FINANCIAL STATEMENTS

1. Analysis of Consolidated Statement of Profit or Loss

During the reporting period, the Group achieved a net profit attributable to shareholders of the Bank of RMB7.824 billion, representing an increase of 2.05% on a period-on-period basis; the return on average total assets was 0.45% and the weighted average return on net assets was 8.62%. Operating income was RMB33.516 billion, representing an increase of 0.75% on a period-on-period basis, including net interest income of RMB22.352 billion, representing a decrease of 3.01% on a period-on-period basis; net non-interest income of RMB11.164 billion, representing an increase of 9.25% on a period-on-period basis. Operating expenses were RMB10.376 billion, representing an increase of 1.03% on a period-on-period basis; the cost-to-income ratio was 29.24%, representing a decrease of 0.53 percentage point on a period-on-period basis. Provision for impairment losses was RMB13.093 billion, representing a decrease of 1.56% on a period-on-period basis. The income tax expense was RMB1.897 billion, representing an increase of 10.10% on a period-on-period basis.

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

In RMB million, except percentages

Item	January to June 2026	January to June 2025	Amount of increase (decrease)	Increase (decrease) (%)
Net interest income	22,352	23,046	(694)	(3.01)
Net non-interest income	11,164	10,219	945	9.25
Operating income	33,516	33,265	251	0.75
Less: Operating expenses	10,376	10,270	106	1.03
Less: Impairment losses	13,093	13,300	(207)	(1.56)
Profit before taxation	10,047	9,695	352	3.63
Less: Income tax expenses	1,897	1,723	174	10.10
Net profit	8,150	7,972	178	2.23
Attributable to: Shareholders of the Bank	7,824	7,667	157	2.05
Non-controlling interests	326	305	21	6.89

(1) Net interest income

During the reporting period, net interest income was RMB22.352 billion, representing a decrease of RMB694 million or 3.01% on a period-on-period basis, accounting for 66.69% of operating income. Interest income was RMB48.413 billion, representing a decrease of RMB4.239 billion or 8.05% on a period-on-period basis; interest expenses was RMB26.061 billion, representing a decrease of RMB3.545 billion or 11.97% on a period-on-period basis.

During the reporting period, net interest margin was 1.56%, representing a decrease of 13 basis points on a period-on-period basis; net interest spread was 1.41%, representing a decrease of 11 basis points on a period-on-period basis. The main reasons for the period-on-period change in net interest margin were as follows: the Group implemented the policy guidance of benefiting the real economy and continued to promote the reduction of corporate financing costs, thus the yield on interest-earning assets decreased by 41 basis points on a period-on-period basis. On the liability side, the Group achieved a balanced development in both volume and price and continued to optimize the deposit structure, which led to a 30-basis-point decrease in the cost of interest-bearing liabilities on a period-on-period basis.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In RMB million, except percentages

Item	January to June 2026			January to June 2025		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	1,995,458	34,127	3.45	1,885,033	37,611	4.02
Investments ⁽¹⁾	875,722	11,966	2.76	883,815	12,597	2.87
Due from banks and other financial institutions ⁽²⁾	189,638	1,442	1.53	160,440	1,568	1.97
Balances with central bank ⁽³⁾	124,555	878	1.42	127,456	876	1.39
Total interest-earning assets	3,185,373	48,413	3.06	3,056,744	52,652	3.47
Item	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Customer deposits	2,053,428	15,740	1.55	1,932,000	17,964	1.88
Due to banks and other financial institutions ⁽⁴⁾	564,271	4,781	1.71	455,493	4,641	2.05
Due to central bank	54,286	441	1.64	98,861	908	1.85
Debt securities issued ⁽⁵⁾	519,863	5,099	1.98	577,643	6,042	2.11
Others	–	–	–	2,976	51	3.46
Total interest-bearing liabilities	3,191,848	26,061	1.65	3,066,973	29,606	1.95
Net interest income		22,352			23,046	
Net interest spread			1.41			1.52
Net interest margin ⁽⁶⁾			1.56			1.69

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of changes in interest income and expenses

In RMB million

Item	Comparison between January to June 2026 and January to June 2025		
	Factors for increase (decrease)		Net increase (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	2,203	(5,687)	(3,484)
Investments	(115)	(516)	(631)
Due from banks and other financial institutions	285	(411)	(126)
Balances with central bank	(20)	22	2
Changes in interest income	2,353	(6,592)	(4,239)
Interest-bearing liabilities			
Customer deposits	1,129	(3,353)	(2,224)
Due to banks and other financial institutions	1,108	(968)	140
Due to central bank	(409)	(58)	(467)
Debt securities issued	(604)	(339)	(943)
Others	(51)	–	(51)
Changes in interest expenses	1,173	(4,718)	(3,545)
Net changes in interest income	1,180	(1,874)	(694)

Notes:

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

(2) Interest income

Interest income from loans and advances to customers

Interest income from loans and advances to customers was RMB34.127 billion, representing a decrease of RMB3.484 billion or 9.26% on a period-on-period basis, mainly due to that the Group, based on the political and people-oriented nature of financial work, took serving the real economy as the starting point of its operations to continuously improve the suitability of financial services and help to develop new-quality productive forces. During the reporting period, the daily average balance of loans and advances to customers was RMB2.00 trillion, representing an increase of 5.86% on a period-on-period basis.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In RMB million, except percentages

	January to June 2026			January to June 2025		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	1,423,367	24,540	3.48	1,292,973	25,825	4.03
Personal loans and advances	444,876	8,493	3.85	469,711	10,523	4.52
Discounted bills	127,215	1,094	1.73	122,349	1,263	2.08
Total loans and advances to customers	1,995,458	34,127	3.45	1,885,033	37,611	4.02

Interest income from investments

Interest income from investments was RMB11.966 billion, representing a decrease of RMB631 million or 5.01% on a period-on-period basis, mainly due to an 11-basis-point decrease in the investment yield on a period-on-period basis.

(3) Interest expenses

Interest expenses on customer deposits

The Group coordinated the growth of total deposits with structural optimization, dynamically optimized deposit pricing management, deepened its focus on transaction and settlement scenarios to expand core low-cost funding sources, and further realized the benefits of refined liability management and control on the liability side. Interest expenses on customer deposits amounted to RMB15.740 billion, representing a decrease of RMB2.224 billion or 12.38%. As at the end of the reporting period, the daily average balance of customer deposits was RMB2.05 trillion, representing an increase of 6.29% on a period-on-period basis; the deposit interest payment rate in the first half of 2026 was 1.55%, representing a decrease of 33 basis points on a period-on-period basis.

In RMB million, except percentages

	January to June 2026			January to June 2025		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Corporate deposits and other deposits⁽¹⁾						
Time	1,228,882	10,947	1.80	1,238,343	13,159	2.14
Demand	400,777	1,121	0.56	365,237	1,324	0.73
Subtotal	1,629,659	12,068	1.49	1,603,580	14,483	1.82
Personal deposits						
Time	339,384	3,651	2.17	264,197	3,458	2.64
Demand	84,385	21	0.05	64,223	23	0.07
Subtotal	423,769	3,672	1.75	328,420	3,481	2.14
Total	2,053,428	15,740	1.55	1,932,000	17,964	1.88

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Net non-interest income

During the reporting period, net non-interest income amounted to RMB11.164 billion, representing an increase of RMB945 million or 9.25% on a period-on-period basis, of which net fee and commission income was RMB2.557 billion, representing an increase of RMB264 million; other net non-interest income was RMB8.607 billion, representing an increase of RMB681 million from the previous period.

Net fee and commission income

In RMB million, except percentages

Item	January to June 2026	January to June 2025	Amount of increase (decrease)	Increase (decrease) (%)
Agency and entrustment service	3,288	1,345	1,943	144.46
Settlement and clearing service	568	378	190	50.26
Commitment and guarantee service	407	485	(78)	(16.08)
Custodian and fiduciary service	375	366	9	2.46
Underwriting and consultation service	240	393	(153)	(38.93)
Fee from bank cards	114	85	29	34.12
Others	38	56	(18)	(32.14)
Total fee and commission income	5,030	3,108	1,922	61.84
Less: Fee and commission expense	2,473	815	1,658	203.44
Net fee and commission income	2,557	2,293	264	11.51

Net fee and commission income was RMB2.557 billion, representing an increase of RMB264 million or 11.51% on a period-on-period basis. Fee and commission income was RMB5.030 billion, representing an increase of RMB1.922 billion on a period-on-period basis. Among which, fee income from agency and entrustment service was RMB3.288 billion, representing an increase of RMB1.943 billion on a period-on-period basis, primarily due to the increased scale of the agency business; fee and commission expense was RMB2.473 billion, representing an increase of RMB1.658 billion on a period-on-period basis, primarily due to the increased expense of agency business.

MANAGEMENT DISCUSSION AND ANALYSIS

Other net non-interest income

In RMB million, except percentages

Item	January to June 2026	January to June 2025	Amount of increase (decrease)	Increase (decrease) (%)
Net trading gains	2,919	2,514	405	16.11
Net gains on financial investments	4,279	4,363	(84)	(1.93)
Other operating income	1,409	1,049	360	34.32
Total	8,607	7,926	681	8.59

Other net non-interest income was RMB8.607 billion, representing an increase of RMB681 million or 8.59% on a period-on-period basis, primarily due to the fluctuating downward trend of bond market yields during the reporting period, which led to a period-on-period increase in the income of financial assets measured at fair value through profit or loss.

(5) Operating expenses

In RMB million, except percentages

Item	January to June 2026	January to June 2025	Amount of increase (decrease)	Increase (decrease) (%)
Staff costs	6,110	6,324	(214)	(3.38)
General and administrative expenses	2,172	2,018	154	7.63
Depreciation and amortization	1,022	1,016	6	0.59
Tax and surcharges	576	367	209	56.95
Others	496	545	(49)	(8.99)
Total	10,376	10,270	106	1.03

The Group has established an input-output management system, continuously optimized its input-output structure, and carried out refined management of financial expenditures. Operating expenses amounted to RMB10.376 billion, representing an increase of RMB106 million or 1.03% on a period-on-period basis.

(6) Impairment losses

In RMB million, except percentages

Item	January to June 2026	January to June 2025
Deposits with banks and other financial institutions	(3)	1
Placements with banks and other financial institutions	5	(3)
Financial assets purchased under resale agreements	(17)	(11)
Loans and advances to customers	14,457	10,779
Financial investments	(2,125)	1,803
Finance lease receivables	392	449
Off-balance sheet items	169	33
Other assets	215	249
Total	13,093	13,300

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment losses amounted to RMB13.093 billion, representing a decrease of RMB207 million or 1.56% on a period-on-period basis, please see “Note III to Financial Statements – 7 Expected Credit Losses; 23 Impairment Allowance”.

(7) Income tax expenses

Income tax expenses were RMB1.897 billion, representing an increase of RMB174 million or 10.10% on a period-on-period basis, and the effective tax rate was 18.88%. For the reconciliation statement of the income tax expense calculated at statutory tax rate and the actual income tax expense, please see “Note III to Financial Statements – 8 Income Tax Expense”.

(8) Segment information

Segment operating results by business line

In RMB million, except percentages

Item	January to June 2026		January to June 2025	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate banking	17,992	53.68	18,914	56.86
Retail banking	4,874	14.54	5,149	15.48
Treasury operations	8,237	24.58	7,297	21.93
Others	2,413	7.20	1,905	5.73
Total operating income	33,516	100.00	33,265	100.00

Segment operating results by geographic region

In RMB million, except percentages

Item	January to June 2026		January to June 2025	
	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta Region	22,278	66.47	19,946	59.96
Bohai Rim Region	3,764	11.23	4,438	13.34
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	2,563	7.65	3,226	9.70
Midwestern China Region	4,911	14.65	5,655	17.00
Total operating income	33,516	100.00	33,265	100.00

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

MANAGEMENT DISCUSSION AND ANALYSIS

2. Analysis on Consolidated Statement of Financial Position

(1) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB3,695.800 billion, representing an increase of RMB214.708 billion or 6.17% as compared to that at the end of last year, of which net loans and advances to customers amounted to RMB1,968.457 billion, representing an increase of RMB85.220 billion or 4.53% as compared to that at the end of last year. Financial investments amounted to RMB1,056.053 billion, representing an increase of RMB4.546 billion or 0.43% as compared to that at the end of last year. In terms of the structure, net loans and advances to customers accounted for 53.26% of total assets, decreasing by 0.84 percentage point as compared to that at the end of last year, and the financial investments accounted for 28.57% of total assets, decreasing by 1.64 percentage points as compared to that at the end of last year, due from banks and other financial institutions accounted for 5.83% of total assets, increasing by 0.94 percentage point as compared to that at the end of last year, and cash and balances with central bank accounted for 4.72% of total assets, increasing by 1.11 percentage points as compared to that at the end of last year.

Assets utilization

In RMB million, except percentages

Item	June 30, 2026		December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	2,010,115		1,922,711		1,857,116	
Less: Allowance for ECLs of loans ⁽¹⁾	41,658		39,474		44,432	
Net loans and advances to customers	1,968,457	53.26	1,883,237	54.10	1,812,684	54.51
Financial investments ⁽²⁾	1,056,053	28.57	1,051,507	30.21	1,055,451	31.74
Cash and balances with central bank	174,395	4.72	125,704	3.61	129,691	3.90
Precious metals	114,593	3.10	80,929	2.32	16,956	0.51
Due from banks and other financial institutions ⁽³⁾	215,375	5.83	170,134	4.89	137,692	4.14
Other assets	166,927	4.52	169,581	4.87	173,065	5.20
Total assets	3,695,800	100.00	3,481,092	100.00	3,325,539	100.00

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

The Group fully implemented national and regulatory policy directives, staying focused on serving the real economy by improving the quality of new business and revitalizing existing assets. It upheld its primary strategy of “Deepening the Development in Zhejiang” and drove the transformation towards “low risk and balanced returns”, resulting in steady and healthy growth in its loan scale. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB2,010.115 billion, representing an increase of RMB87.404 billion or 4.55% as compared to that at the end of last year.

Loans and advances to customers structure by business type

In RMB million, except percentages

Item	June 30, 2026		December 31, 2025		December 31, 2024	
	Proportion		Proportion		Proportion	
	Amount	(%)	Amount	(%)	Amount	(%)
Corporate loans and advances	1,436,766	71.47	1,331,459	69.25	1,249,566	67.28
Personal loans and advances	433,189	21.55	464,408	24.15	478,631	25.77
Discounted bills	129,828	6.46	116,916	6.08	119,200	6.42
Changes in fair value through other comprehensive income	783	0.04	706	0.04	1,224	0.07
Interest accrued	9,549	0.48	9,222	0.48	8,495	0.46
Total	2,010,115	100.00	1,922,711	100.00	1,857,116	100.00

Corporate loans and advances

Driven by bank-wide industry research, the Company’s lending business has focused on the supply chain and technology innovation sectors, and addressed the full-cycle, multi-scenario needs of enterprises. By continuously iterating its distinctive business matrix, the business provides targeted services to core enterprises and their upstream and downstream partners within industrial chains. As a result, the Company’s lending business has achieved steady growth in scale, and its comprehensive service capabilities have continued to strengthen. As at the end of the reporting period, total corporate loans and advances amounted to RMB1,436.766 billion, representing an increase of 7.91% from the end of last year.

Personal loans and advances

We implemented the strategy to expand domestic demand and the special initiative to boost consumption, and provided financial services to meet residents’ basic and improvement housing needs. We continued to strengthen the foundation of our mortgage lending business with more supply of credit for consumer scenarios, and continuously optimized the structure of our personal loans to consolidate our retail customer base. As at the end of the reporting period, total personal loans and advances amounted to RMB433.189 billion, representing a decrease of 6.72% from the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Discounted bills

With a focus on the demand for bill financing across the entire industrial chain, and by leveraging digital technology for empowerment and the iterative upgrading of our specialized products as the foundation, we continued to deepen our financial offerings and comprehensively enhance the quality and efficiency of our services to the real economy. As at the end of the reporting period, total discounted bills amounted to RMB129.828 billion, representing an increase of 11.04% from the end of last year.

Financial investments

The Group continued to leverage the role of financial investments in serving the real economy through diversified channels. Meanwhile, it responded flexibly to bond market volatility by capitalizing on market movements, optimized portfolio management, and balanced liquidity security with returns. The overall scale of financial investments remained basically stable. As at the end of the reporting period, the balance of financial investments was RMB1,056.053 billion, an increase of 0.43% from the end of last year.

Financial investment composition

In RMB million, except percentages

Item	June 30, 2026		December 31, 2025	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	133,444	12.64	136,837	13.01
Bond investments	844,246	79.94	832,636	79.18
Trust schemes and asset management plans	85,299	8.08	91,449	8.70
Other financial investments	3,242	0.31	3,853	0.37
Interest accrued	10,264	0.97	11,758	1.12
Allowance for ECLs	(20,442)	(1.94)	(25,026)	(2.38)
Total	1,056,053	100.00	1,051,507	100.00

Note: Other financial investments include equity investments, wealth management products, etc.

(2) Liabilities

The Group fully advanced its liability structure optimization initiative, strengthened proactive asset and liability management, and focused on the stability of funding sources and the appropriateness of funding costs, resulting in continuous improvement in liability quality. As at the end of the reporting period, the Group's total liabilities amounted to RMB3,484.355 billion, representing an increase of RMB210.598 billion or 6.43% from the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Liabilities composition

In RMB million, except percentages

Item	June 30, 2026		December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Due to Central Bank	39,614	1.14	102,206	3.12	77,821	2.49
Customer deposits	2,177,297	62.49	2,043,466	62.42	1,922,289	61.56
Due to banks and other financial institutions	573,527	16.46	515,042	15.73	498,068	15.95
Debt securities issued	474,003	13.60	512,953	15.67	541,533	17.34
Others	219,914	6.31	100,090	3.06	83,085	2.66
Total liabilities	3,484,355	100.00	3,273,757	100.00	3,122,796	100.00

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

Customer deposits

The Group persisted in developing its capability to attract low-interest high-quality deposits as a key operational focus, continuously optimizing deposit structure and enhancing quality. Having stabilized its deposit scale above the RMB2 trillion threshold, the Group achieved steady growth in deposits while effectively reducing its cost of deposits. As at the end of the reporting period, the Group's balance of customer deposits was RMB2,177.297 billion, an increase of RMB133.831 billion or 6.55% from the end of last year. In terms of customer structure, corporate deposits increased by RMB91.961 billion, or 5.72%; personal deposits increased by RMB46.179 billion or 11.67%. In terms of maturity structure, due to favourable results in stabilizing demand deposits and controlling duration, time deposits increased by RMB77.571 billion or 5.13%; demand deposits increased by RMB60.569 billion or 12.30%.

Structure of our customer deposits by business type

In RMB million, except percentages

Item	June 30, 2026		December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits						
Demand	467,522	21.47	417,299	20.42	434,291	22.59
Time	1,232,957	56.63	1,191,219	58.29	1,148,911	59.77
Sub-total	1,700,479	78.10	1,608,518	78.71	1,583,202	82.36
Personal deposits						
Demand	85,280	3.92	74,934	3.67	64,951	3.38
Time	356,671	16.38	320,838	15.70	239,681	12.47
Sub-total	441,951	20.30	395,772	19.37	304,632	15.85
Other deposits	1,994	0.09	2,019	0.10	372	0.02
Interest accrued	32,873	1.51	37,157	1.82	34,083	1.77
Total	2,177,297	100.00	2,043,466	100.00	1,922,289	100.00

(3) Shareholder's equity

As at the end of the reporting period, equity attributable to shareholders of the Bank amounted to RMB206.655 billion in total, representing an increase of RMB3.787 billion or 1.87% from the end of last year. Please see "Financial Statements – Condensed Consolidated Statement of Changes in Shareholders' Equity".

MANAGEMENT DISCUSSION AND ANALYSIS

(III) ANALYSIS OF LOAN QUALITY

1. Loans distribution by risk classification

In RMB million, except percentages

Item	June 30, 2026		December 31, 2025	
	Amount	Proportion (%)	Amount	Proportion (%)
Pass	1,918,650	95.91	1,841,533	96.24
Special mention	53,923	2.69	45,213	2.36
Non-performing	27,210	1.36	26,037	1.36
Substandard	11,873	0.59	11,775	0.62
Doubtful	5,076	0.26	5,556	0.29
Loss	10,261	0.51	8,706	0.45
Changes in fair value through other comprehensive income	783	0.04	706	0.04
Subtotal	2,000,566	100.00	1,913,489	100.00
Interest accrued	9,549	N/A	9,222	N/A
Total loans and advances to customers	2,010,115	N/A	1,922,711	N/A

As at the end of the reporting period, pass loans amounted to RMB1,918.650 billion, an increase of RMB77.117 billion from the end of last year; special mention loans amounted to RMB53.923 billion, an increase of RMB8.710 billion from the end of last year; the special mention loan ratio was 2.69%, an increase of 0.33 percentage point from the end of last year; non-performing loans amounted to RMB27.210 billion, an increase of RMB1.173 billion from the end of last year; the non-performing loan ratio was 1.36%, remaining unchanged from the end of last year.

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

In RMB million, except percentages

Item	June 30, 2026				December 31, 2025			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	1,436,766	71.82	14,496	1.01	1,331,459	69.58	14,646	1.10
Personal loans	433,189	21.65	12,701	2.93	464,408	24.27	11,378	2.45
Discounted bills	129,828	6.49	13	0.01	116,916	6.11	13	0.01
Changes in fair value through other comprehensive income	783	0.04	N/A	N/A	706	0.04	N/A	N/A
Subtotal	2,000,566	100.00	27,210	1.36	1,913,489	100.00	26,037	1.36
Interest accrued	9,549	N/A	N/A	N/A	9,222	N/A	N/A	N/A
Total loans and advances to customers	2,010,115	N/A	N/A	N/A	1,922,711	N/A	N/A	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the reporting period, corporate non-performing loans amounted to RMB14.496 billion, a decrease of RMB150 million from the end of last year; the non-performing loan ratio was 1.01%, a decrease of 0.09 percentage point from the end of last year. Personal non-performing loans amounted to RMB12.701 billion, an increase of RMB1.323 billion from the end of last year; the non-performing loan ratio was 2.93%, an increase of 0.48 percentage point from the end of last year.

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

In RMB million, except percentages

Item	June 30, 2026				December 31, 2025			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	1,436,766	71.82	14,496	1.01	1,331,459	69.58	14,646	1.10
Leasing and commercial services	417,400	20.86	2,346	0.56	339,725	17.75	1,346	0.40
Manufacturing	277,333	13.86	4,110	1.48	286,725	14.98	3,797	1.32
Wholesale and retail trade	180,722	9.03	2,962	1.64	185,808	9.71	4,251	2.29
Real estate	154,426	7.72	2,033	1.32	161,815	8.46	2,817	1.74
Administration of water conservancy, environment and public facilities	113,498	5.67	13	0.01	87,829	4.59	18	0.02
Construction	77,390	3.87	1,027	1.33	80,505	4.21	972	1.21
Financing	61,945	3.10	20	0.03	40,338	2.11	20	0.05
Transportation, storage and postal service	19,772	0.99	147	0.74	18,930	0.99	116	0.61
Electricity, heat, gas and water production and supply	17,618	0.88	111	0.63	17,525	0.92	195	1.11
Accommodation and catering	15,761	0.79	151	0.96	17,947	0.94	94	0.52
Mining	13,491	0.67	–	–	12,832	0.67	–	–
Others ⁽¹⁾	87,410	4.38	1,576	1.80	81,480	4.25	1,020	1.25
Personal loans	433,189	21.65	12,701	2.93	464,408	24.27	11,378	2.45
Discounted bills	129,828	6.49	13	0.01	116,916	6.11	13	0.01
Changes in fair value through other comprehensive income	783	0.04	N/A	N/A	706	0.04	N/A	N/A
Subtotal of loans and advances to customers	2,000,566	100.00	27,210	1.36	1,913,489	100.00	26,037	1.36
Interest accrued	9,549	N/A	N/A	N/A	9,222	N/A	N/A	N/A
Total loans and advances to customers	2,010,115	N/A	N/A	N/A	1,922,711	N/A	N/A	N/A

Note:

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

The Group adopted a “prudent and solid” risk appetite, anchored its vision of becoming “a first-class commercial bank”, and upheld the political and people-oriented nature of the financial work. With deepening the development in Zhejiang and serving the real economy as its foothold, the Group implemented the risk philosophy of “low risk and balanced returns” and adhered to the principle of “risk first, compliance as the foundation”. It established and improved a risk management system that is “independent, balanced, vertical and professional”, building a solid bulwark for the steady and healthy development of the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In RMB million, except percentages

Item	June 30, 2026				December 31, 2025			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta Region	1,157,943	57.88	15,478	1.34	1,067,571	55.79	17,856	1.67
Midwestern China Region	373,627	18.68	3,936	1.05	380,390	19.88	3,403	0.89
Bohai Rim Region	236,384	11.81	5,103	2.16	245,388	12.82	2,670	1.09
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	231,829	11.59	2,693	1.16	219,434	11.47	2,108	0.96
Changes in fair value through other comprehensive income	783	0.04	N/A	N/A	706	0.04	N/A	N/A
Subtotal	2,000,566	100.00	27,210	1.36	1,913,489	100.00	26,037	1.36
Interest accrued	9,549	N/A	N/A	N/A	9,222	N/A	N/A	N/A
Total loans and advances to customers	2,010,115	N/A	N/A	N/A	1,922,711	N/A	N/A	N/A

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

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

In RMB million, except percentages

Item	June 30, 2026				December 31, 2025			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Mortgage loans	763,805	38.18	14,808	1.94	800,607	41.84	13,782	1.72
Pledged loans	66,351	3.31	1,586	2.39	72,451	3.79	1,648	2.27
Guaranteed loans	570,908	28.54	2,958	0.52	490,627	25.64	3,341	0.68
Unsecured loans	468,891	23.44	7,845	1.67	432,182	22.58	7,253	1.68
Discounted bills	129,828	6.49	13	0.01	116,916	6.11	13	0.01
Changes in fair value through other comprehensive income	783	0.04	N/A	N/A	706	0.04	N/A	N/A
Subtotal	2,000,566	100.00	27,210	1.36	1,913,489	100.00	26,037	1.36
Interest accrued	9,549	N/A	N/A	N/A	9,222	N/A	N/A	N/A
Total loans and advances to customers	2,010,115	N/A	N/A	N/A	1,922,711	N/A	N/A	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

The secured loan structure of the Group basically remained stable. As at the end of the reporting period, the mortgage loans had a relatively high percentage; the mortgage loans balance was RMB763.805 billion, representing a decrease of RMB36.802 billion compared with that at the end of last year; the balance of non-performing loans among mortgage loans was RMB14.808 billion, with the non-performing loan ratio of 1.94%, representing an increase of 0.22 percentage point compared with that at the end of last year.

6. Top ten borrowers

In RMB million, except percentages

Top ten borrowers	Industry	Amount	Proportion (%)
A	Information transmission, software and information technology services	9,263	0.46
B	Financing	7,033	0.35
C	Real estate	6,268	0.31
D	Real estate	4,194	0.21
E	Real estate	3,928	0.20
F	Leasing and commercial services	3,800	0.19
G	Leasing and commercial services	3,420	0.17
H	Financing	3,290	0.16
I	Leasing and commercial services	3,124	0.16
J	Real estate	3,089	0.15
Total		47,409	2.36

As at the end of the reporting period, the balance of loans to the single largest borrower of the Group was RMB9.263 billion, representing 3.71% of the Group's net capital. The total loans to our top ten single borrowers amounted to RMB47.409 billion, representing 19.00% of the net capital of the Group.

7. Overdue loans

In RMB million, except percentages

	June 30, 2026		December 31, 2025	
	Amount	Proportion (%)	Amount	Proportion (%)
Overdue period				
Overdue by 1 day to 90 days	13,243	0.66	10,384	0.54
Overdue by 90 days to one year	13,403	0.67	15,869	0.83
Overdue by one year to three years	10,056	0.51	7,165	0.37
Overdue by more than three years	1,016	0.05	1,295	0.07
Total	37,718	1.89	34,713	1.81

As at the end of the reporting period, the balance of overdue loans amounted to RMB37.718 billion, representing an increase of RMB3.005 billion compared with the end of last year; specifically, loans overdue by more than 90 days amounted to RMB24.475 billion, representing an increase of RMB146 million compared with the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

8. Renegotiated loans

The Group conducted strict and prudent management over loan renegotiation. As at the end of the reporting period, the Group's total renegotiated loans and advances amounted to RMB19.142 billion, representing an increase of RMB3.611 billion compared with the end of last year, accounting for 0.96%, representing an increase of 0.15 percentage point as compared to that at the end of last year; among them, total renegotiated loans and advances that were overdue by more than 3 months amounted to RMB2.777 billion, representing a decrease of RMB131 million compared with the end of last year.

9. Repossessed assets and provision for impairment

As at the end of the reporting period, the balance of the Group's repossessed assets (non-financial instruments) was RMB926 million and the net book value was RMB650 million after deducting the impairment provision of RMB276 million.

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

<i>In RMB million</i>	
Item	Amount
Balance at the beginning of the period	40,454
Charge for the period	14,457
Write-offs	(5,807)
Transfer out	(7,501)
Others	805
Balance at the end of the period	42,408

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) CAPITAL MANAGEMENT

In accordance with the relevant provisions of the Administrative Measures for the Capital of Commercial Banks (No. 4 Order [2023] of National Financial Regulatory Administration) 《商業銀行資本管理辦法》(國家金融監督管理總局令 2023 年第 4 號)), the measurement range of the Group's capital adequacy ratio covers credit risk, market risk and operational risk. Among them, credit risk-weighted assets were measured by using weight method, and market risk- and operational risk-weighted assets were measured by using standardized approach.

As at the end of the reporting period, capital adequacy ratio of the Group was 11.55%, tier-one capital adequacy ratio was 9.55%, core tier-one capital adequacy ratio was 8.37%, and leverage ratio was 4.76%, all of which met regulatory requirements.

Capital adequacy ratio (the Group)

In RMB million, except percentages

Item	June 30, 2026	December 31, 2025	December 31, 2024
Net core tier-one capital	180,817	177,985	173,172
Other tier-one capital	25,427	25,411	25,364
Net tier-one capital	206,244	203,396	198,536
Tier-two capital	43,213	53,286	61,904
Net capital base	249,457	256,682	260,441
Risk-weighted assets	2,159,695	2,118,335	2,065,287
Among which: Credit risk-weighted assets	1,995,879	1,974,890	1,924,753
Market risk-weighted assets	43,723	23,353	22,553
Operational risk-weighted assets	120,093	120,093	117,981
Minimum capital requirement (%)	8.00	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50	2.50
Additional capital requirement (%)	–	–	–
Core tier-one capital adequacy ratio (%)	8.37	8.40	8.38
Tier-one capital adequacy ratio (%)	9.55	9.60	9.61
Capital adequacy ratio (%)	11.55	12.12	12.61

Leverage ratio (the Group)

In RMB million, except percentages

The Group	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025
Net tier-one capital	206,244	210,064	203,396	201,871
Adjusted asset balance inside and outside the balance sheet	4,335,314	4,193,445	4,067,144	4,021,243
Leverage ratio (%)	4.76	5.01	5.00	5.02

Note: The Pillar 3 Information Disclosure Report for the Half Year of 2026 of China Zhesang Bank Co., Ltd. 《浙商银行股份有限公司2026年半年度第三支柱信息披露報告》 is available for inspection on the website of the Bank (www.czbank.com).

MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the reporting period, the capital adequacy ratio of the Company was 11.34%, tier-one capital adequacy ratio was 9.41%, core tier-one capital adequacy ratio was 8.20%, and leverage ratio was 4.65%, all of which met regulatory requirements.

Capital adequacy ratio (the Company)

In RMB million, except percentages

Item	June 30, 2026	December 31, 2025	December 31, 2024
Net core tier-one capital	169,877	167,766	166,402
Other tier-one capital	24,995	24,995	24,995
Net tier-one capital	194,872	192,761	191,397
Tier-two capital	40,000	50,904	59,865
Net capital base	234,872	243,664	251,262
Risk-weighted assets	2,071,209	2,034,760	1,992,742
Among which: Credit risk-weighted assets	1,911,179	1,894,995	1,855,223
Market risk-weighted assets	43,491	23,226	22,360
Operational risk-weighted assets	116,539	116,539	115,159
Minimum capital requirement (%)	8.00	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50	2.50
Additional capital requirement (%)	–	–	–
Core tier-one capital adequacy ratio (%)	8.20	8.24	8.35
Tier-one capital adequacy ratio (%)	9.41	9.47	9.60
Capital adequacy ratio (%)	11.34	11.98	12.61

Leverage ratio (the Company)

In RMB million, except percentages

Item	June 30, 2026	March 31, 2026	December 31, 2025	September 30, 2025
Net tier-one capital	194,872	197,813	192,761	191,272
Adjusted asset balance inside and outside the balance sheet	4,188,326	4,100,195	3,979,104	3,937,814
Leverage ratio (%)	4.65	4.82	4.84	4.86

MANAGEMENT DISCUSSION AND ANALYSIS

(V) OTHER FINANCIAL INFORMATION DISCLOSED IN ACCORDANCE WITH REGULATORY REQUIREMENTS

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

The Group's off-balance sheet items include commitments and contingencies and others. Specifically, commitments and contingencies include credit commitments and financial guarantee, capital expenditure commitments, bond underwriting and redemption commitments, outstanding litigations and disputes, etc., among which credit commitments and financial guarantee serve as the uppermost component. As at the end of the reporting period, balance of the Group's credit commitments and financial guarantee amounted to RMB856.067 billion. Please see "Note VI to Financial Statements – Commitments and Contingencies".

2. Status of overdue and unpaid debts

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

MANAGEMENT DISCUSSION AND ANALYSIS

(VI) RISK MANAGEMENT

1. Comprehensive risk management system

The Company adopted a “prudent and solid” risk appetite, anchored its vision of becoming “a first-class commercial bank”, and upheld the political and people-oriented nature of the financial work. With deepening the development in Zhejiang and serving the real economy as its foothold, and with risk prevention and safe development as its bottom-line requirements, the Company implemented the risk philosophy of “low risk and balanced returns” and adhered to the principle of “risk first, compliance as the foundation”. It established and improved a risk management system that is “independent, balanced, vertical and professional”, strictly managed authorization and credit extension, strengthened risk control and system capabilities, and built a solid bulwark for the steady and healthy development of the Bank. The Company adhered to systematic risk prevention and resolution, deepened risk governance in key areas, accelerated risk disposal and resolution, and strictly controlled access standards.

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

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

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

2. Credit risk management

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

(1) Credit risk management for corporate customers

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

(2) Credit risk management for small and micro enterprises

The Company continues to optimize its credit policy system by refining the credit approval process for small business operations, and incorporating all types of credit businesses of small business customers and their related entities into unified credit management, thereby controlling risk exposure at the aggregate level.

The Company embeds digital and intelligent risk control into the entire risk management process of micro and small business operations, strengthening the application of digital and intelligent tools at the pre-lending, in-lending, and post-lending stages. It continuously improves the pre-lending risk assessment mechanism, increases the application of external authoritative data, integrates multi-dimensional information for cross-verification, and reasonably sets differentiated customer group access standards. It strengthens the application of digital and intelligent risk control tools, dynamically monitors, timely identifies, and regularly adjusts risk signals, effectively achieving proactive risk control. It continuously optimizes the post-lending management system for small enterprises, configures differentiated post-lending system roles and personalized task triggering rules, and builds a precise post-lending safety net.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Credit risk management for retail customers

The Company continuously deepens the whole-process credit risk management for retail credit customers, and builds a comprehensive proactive risk management system. It clarifies business boundaries, standardizes operational procedures, unifies risk control standards, and strengthens tool empowerment at the pre-lending, in-lending, and post-lending stages. Leveraging the head office's centralized approval mechanism, it utilizes big data and intelligent risk control models, adopts a dynamic evaluation approach combining automated preliminary review with manual review, and continuously improves customer risk profiling. It strictly controls pre-lending access thresholds, strengthens in-lending credit monitoring, and implements differentiated risk early warning and disposal post-lending. Meanwhile, it dynamically optimizes risk strategies, strengthens asset quality control, and promotes the compliant, steady and sound development of the retail credit business on the basis of risk control.

The Company has established a whole-process digital and intelligent risk management system for credit card (consumer finance) business, covering pre-lending access, in-lending monitoring and post-lending early warning. Leveraging core models including the "1+N" machine learning scoring and in-lending fusion scoring, it continuously improves the accuracy and forward-looking nature of risk identification. By taking into account the risk profiles of different regions, industries and customer segments, the Company has formulated and continuously updated differentiated risk control strategies, steadily elevating the risk management capacity of its credit card (consumer finance) business.

(4) Credit risk management for financial institution customers

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

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

3. Market risk management

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

4. Liquidity risk management

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Company managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Company can effectively identify, measure, monitor, control and report its liquidity risk, continuously strengthen liquidity risk management, and continue to improve the foresight and initiative of liquidity management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund and continuously increasing the proportion of stable liabilities; driving the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the management of high quality liquid assets to ensure that the size of high quality liquid assets matches the potential financing needs of the whole bank, and enhance its ability to mitigate liquidity risk; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak links in the Company's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism. The results of the stress test indicate that the Group's liquidity risk is within a manageable range under various scenario stress assumptions.

As at the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 92.55%. Our liquidity coverage ratio was 265.24%, among which, high quality liquid assets amounted to RMB355.532 billion, and the net cash outflows over the next 30 days were RMB134.040 billion. The Company's net stable fund ratio was 106.10%, among which, stable fund available was RMB1,977.711 billion and stable fund required was RMB1,864.041 billion.

As at the end of the reporting period, the Group's total liquidity ratio of the local currencies and foreign currencies was 92.73%. Our liquidity coverage ratio was 259.85%, among which, the high-quality liquid assets amounted to RMB357.670 billion, and the net cash outflows over the next 30 days were RMB137.644 billion. The relevant information on the net stable fund ratio of the Group in the last two quarters was set out below:

<i>Currency: combined of domestic and foreign currency</i>			
Date	Net stable fund ratio (%)	Stable fund Available (in 100 million of RMB)	Stable fund required (in 100 million of RMB)
As of March 31, 2026	110.41	20,762.70	18,804.86
As of June 30, 2026	103.68	20,121.09	19,406.38

5. Operational risk management

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's operational risk management system consists of the Board of Directors, Senior Management, Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Asset and Liability Management Department, Audit Department, other departments of the head office, as well as branches, sub-branches and subsidiaries. The Company adopts a three-lines-of-defense based management framework for operational risk management under the leadership of the Board of Directors and Senior Management. The Board of Directors takes the ultimate responsibility for operational risk management. The Senior Management undertakes the responsibility of implementing operational risk management, and is responsible for organizing the formulation and implementation of all basic systems and relevant management measures for operational risk management, clarifying the duties of and requirements for all departments and institutions, setting operational risk preferences and their transmission mechanisms, and reasonably allocating sufficient resources, etc.

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

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

6. Country risk management

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Company's country risk management system consists of the Board of Directors, Senior Management, Risk Management Department, Development and Planning Department, Planning and Finance Department and operation and management departments of the head office involved in overseas business, credit approval departments, Internal Control and Compliance and Legal Affairs Department, Technology Management Department and Audit Department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the country risk management as well as the formulation and implementation of relevant systems and policies for country risk management.

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

7. Interest rate risk management of banking book

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

8. Reputational risk management

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

Reputational risk management refers to the establishment of a whole-process reputational risk management system covering various processes such as prior assessment, risk monitoring, classification and evaluation, response and disposal, information reporting, assessment and accountability, and evaluation and conclusion, in order to achieve the objectives of reputational risk management and build up a good social image of the Company, which enables the realization of a closed loop of reputational risk management, and also contributes to promoting the daily management of reputational risk from the aspects of risk identification and inspection, emergency drills, joint mechanism, social supervision, accumulation of reputation capital, internal audit, interbank collaboration, etc.

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

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

During the reporting period, the Company strictly implemented regulatory requirements and systematically planned its reputational risk management work. It regards reputational risk prevention and control as a protective wall for financial value creation, emphasizes front-end research and screening, proactively prevents reputational risks at the source, and continuously optimizes emergency response procedures, constantly improving its level of reputational risk management. Meanwhile, it firmly practices the political and people-oriented nature of finance, adheres to the overarching guideline for publicity work of "stability+practicality", continuously strengthens the systematicity and guidance of positive publicity. Using four dimensions, namely national strategies, industry trends, local characteristics and the Bank's practices, as the precise entry-points, it further explores business highlights and typical cases, tells stories about the high-quality development of CZBank, and promotes the positive and upright brand image to take root in everyone's hearts.

9. Strategic risk management

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

10. Compliance risk management

Compliance risk refers to the risk that the Company or its employees may be subject to criminal, administrative and civil liabilities, suffer property losses and reputational losses, and face other adverse impacts arising from violations of compliance regulations in the course of the Company's business-management activities or employees' performance of their duties.

The objectives of our compliance management are to ensure adherence to compliance regulations, effectively prevent and control compliance risks, and enhance the standard of the Company's lawful and compliant operation and management.

In accordance with the requirement of "classified and graded data Management and level-by-level accountability", the Company clarifies compliance management responsibilities, and establishes and improves its compliance management system. The Company's compliance management system consists of the Board of Directors and its Risk and Related Party Transaction Control Committee, Senior Management, Chief Compliance Officer, Compliance Management Department, Internal Audit Department, other business and functional departments as well as subordinate institutions and subsidiaries. The Board of Directors is responsible for defining compliance management objectives and takes ultimate responsibility for the effectiveness of compliance management. The Senior Management is responsible for implementing such compliance management objectives and assumes leadership responsibility for the compliance of businesses in the areas under its charge or supervision. The Chief Compliance Officer assumes special leadership responsibility for the compliance management of the Company and its employees, organises and promotes the development of the compliance management system, and ensures the orderly operation of compliance management activities.

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company closely monitored changes in the economic and financial landscape, earnestly implemented various national policies and regulatory requirements, promoted the effective implementation of compliance management measures, clarified its compliance management plan, established and improved the operating mechanisms for compliance management, steadily advanced the implementation of various internal control and compliance management initiatives, and continuously improved the quality and efficiency of its compliance management. It furthered the development of a compliance culture, continued to implement the compliance commitment system, strengthened the dissemination of typical cases, enhanced employee warning education, and promoted the construction of “Rule of Law in CZBank”, firmly established the core tenets of our compliance culture of “uphold compliance as the foundation, take internal control as the priority, maintain risks under control, and pursue steady and long-term development”. The Company improved its rules and regulations system, advanced the digitalization of system management, and strengthened system implementation, supervision and evaluation. Adopting a problem-oriented approach, it intensified internal supervision, inspections and rectification of identified issues, effectively managing and controlling compliance risks. It also adhered to technological empowerment, continuously implemented the “embedded” compliance mechanism, and leveraged digital and intelligent tools to integrate compliance requirements and business control measures into business processes to the greatest extent possible, and raised the digital and intelligent level of compliance management.

11. Large exposure administration

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

12. Information technology risk management

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

During the reporting period, the Company adhered to the strategy of "invigorating the bank through technological innovation", coordinated the advancement of digital transformation, and actively explored artificial intelligence technologies to drive improvements in the quality and efficiency of financial services. It continuously promoted the refined iteration of cyber security defense, data security control and personal information protection systems, and established an integrated security prevention and control mechanism featuring proactive early-warning and intelligent identification. It focused on risk monitoring, assessment, measurement, control and reporting regarding the operation of important information systems, and optimized and upgraded digital operation and maintenance. It continuously strengthened the development of the disaster recovery system, put into service a new intra-city multi-active data center, and enhanced the high-availability level of disaster recovery resources. It also improved the standardized emergency management system, conducted multi-scenario practical drills to enhance the resilience of business continuity assurance. During the reporting period, the information systems operated stably, and no material information technology risk incidents occurred.

13. Anti-money laundering management

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

(VII) BUSINESS SUMMARY

1. Corporate Business

Customer-oriented, realizing dual-wheel drive of customer base and scale. In the first half of 2026, the Company conducted in-depth bank-wide industry research, set up a peer competitor response mechanism, built a professional account manager team, and strengthened capacity building for digital-intelligent systems to comprehensively build its comprehensive customer operations system. Meanwhile, the Company continued to refine its tiered and classified service mechanism for corporate customers, deepened exchange and cooperation with key clients, and matched differentiated service teams and solutions to effectively meet customer needs. It adopted a package of measures to realise improvement in clients' comprehensive value and business scale expansion. As of the end of the reporting period, the Company served more than 48,000 valued clients, representing an increase of 7.7% over the beginning of the year. The balance of RMB-denominated on-balance-sheet assets for corporate clients stood at RMB1,197.378 billion, an increase of RMB111.345 billion or 10.25% over the beginning of the year.

Serving the real customer base, assisting the transformation and development of the manufacturing industry. The Company persisted in serving the real economy, strengthened policy guarantees, promoted product innovation, and assisted manufacturing enterprises in developing towards high-end, intelligent, and green orientations. Focusing on the perspective of advanced manufacturing industrial clusters, it helped the rapid development of the advanced manufacturing industry by introducing special empowerment measures. As of the end of the reporting period, the balance of loans invested in the manufacturing industry across the Bank was RMB277.333 billion. Moving forward, the Bank will focus on advanced manufacturing and strategic emerging industries, strengthen comprehensive services for manufacturing enterprises, support enterprises in transformation and upgrading, and drive a steady recovery in the balance of manufacturing loans.

MANAGEMENT DISCUSSION AND ANALYSIS

Serving the construction of the Zhejiang headquarter, effectively carrying out work in financial guarantees within the province. The Company steadily advanced the strategy of “Deepening the Development in Zhejiang”, continuously strengthened government-bank and bank-enterprise cooperation, enhanced service capabilities with financial advisors as the bond, fully guaranteed financing support for key regions, key projects, and key customers within the province, and accurately assisted the high-quality development of Zhejiang Province. As of the end of the reporting period, the Company’s corporate loan balance within Zhejiang Province was RMB449.117 billion, an increase of RMB53.917 billion over the beginning of the year.

Pursuing the innovation driven development strategy, solidly make great efforts in technology finance. The Company continues to enhance its technology finance services, advance product and service optimization, in-depth cultivation of key industries, professional team building and collaboration within the innovation ecosystem, and endeavor to establish a specialized service mechanism for technology finance to refine companion-style financial services for technology-based enterprises. As of the end of the reporting period, the balance of sci-tech loan stood at RMB282.994 billion, representing an increase of RMB12.187 billion over the beginning of the year.

Continuously improving the digital and intelligent capabilities of supply chain finance, creating differentiated service advantages. The Company takes digital transformation as its core driving force, closely aligns with the national strategy of building a modern industrial system, and deepens the digital reform of supply chain finance. We strive to elevate the quality of our digital and intelligent services, accelerate the shift from a “capital provider” to a “value co-creator”, and build a new financial service paradigm that covers the entire transaction chain and full life cycle of real-economy enterprises. Through developing four featured highlights of “industry penetration, product enhancement, digital risk control, technology empowerment”, the Company has iterated its customer service platform and integrated its product management middle platform, forming a full-chain, full-scenario and full-product supply chain financial service solution. We have focused on developing distinctive service advantages in new-quality productive forces sectors such as power, energy and new energy vehicles. As of the end of the reporting period, we served more than 4,100 digital supply chain projects, with cumulative financing exceeding RMB1.2 trillion, and served over 100,000 upstream and downstream customers.

2. International Business

During the reporting period, the Company continued to build the service brand of “CZBank Cross-border”. Relying on the dual-linkage platform of the Free Trade Zone sub-accounting unit and the Hong Kong Branch, we established five major service systems of cross-border payment and settlement, foreign exchange hedging, liquidity placement, cross-border investment and financing, and new foreign trade models, which fully covered the cross-border operational needs of enterprises, striving to become the preferred bank for multi-currency settlement services and foreign exchange hedging services. During the reporting period, we served over 22,000 export-oriented enterprises.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of cross-border settlement, the Company deepened cooperation with domestic and overseas banks to build a global account system and settlement services, supporting cross-border receipts in nearly 50 currencies and cross-border payments in more than 100 currencies. Meanwhile, we thoroughly implemented the RMB internationalization strategy and actively expanded application scenarios for cross-border RMB business. During the reporting period, the amount of cross-border RMB business reached RMB182.8 billion.

In terms of foreign exchange hedging, leveraging its abundant and flexible portfolio of foreign exchange transaction products and the online service channel of “CZB Global Trading Treasure”, the Company provided enterprises with a diverse set of foreign exchange risk management tools. During the reporting period, we provided foreign exchange trading services of USD96.6 billion, among which USD33.0 billion was generated via “CZB Global Trading Treasure”.

In terms of cross-border financing, the Company precisely matched enterprises’ liquidity needs through products including export pool, cross-border asset pool and export credit insurance financing. Meanwhile, it provided flexible and diversified comprehensive service solutions for enterprises via products such as international syndicated loans and cross-border M&A. During the reporting period, investment in cross-border financial assets was RMB137.2 billion.

3. Bill Business

During the reporting period, the Company built a customer-centered 2.0 service system for full life-cycle circular operation of bills for bill business, and continuously improved the quality and effectiveness of bill business in serving the real economy. We continuously iterated and upgraded the functions of “Intelligent Bill Steward” (票據智管家), realized online processing of the whole business chain, and effectively helped enterprises efficiently revitalize stock assets and optimize the precision of bill management; accelerated the promotion of supply chain bills to reshape the settlement ecosystem of core enterprises; and by integrating multiple financing modes including bill guarantee, guarantee and supply chain bills ABN issuance, we facilitated financing for upstream and downstream enterprises. As of the end of the reporting period, the number of bill service customers across the Bank reached 25,000, among which, medium, small and micro enterprises accounted for more than 90%, practically fulfilling the inclusiveness and social responsibility of financial services.

4. Retail Business

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

As of the end of the reporting period, the Company had 26.2079 million individual customers (including debit and credit card customers)¹, representing an increase of 40.84% over the beginning of the year. In particular, the Company focused on middle-class customers and intensified the development of high-net-worth (玉琮) customer base, with more than 6.978 million customers acquired cumulatively during the reporting period; customers with an average monthly/daily AUM of RMB200,000 and above reached 818,500, representing an increase of 30.38% over the beginning of the year; the balance of financial assets under management (AUM) for individual customers was RMB941.707 billion, representing an increase of 22.24% over the beginning of the year.

(2) Individual Deposits and Loans

During the reporting period, the Company consistently adhered to the business strategy of pursuing a balance between business volume and pricing, and proactively adapted to market changes, focusing on the increase of settlement deposits and comprehensive service deposits, establishing pathways for converting scenario-based ecosystem traffic into financial value, and further strengthening the development trend of loan business with increased volume, optimized structure and reduced cost. As of the end of the reporting period, the Company had individual deposit balance of RMB441.951 billion, representing an increase of 11.67% over the beginning of the year. The proportion of individual deposits balance in total deposits increased by 0.93 percentage point over the beginning of the year. The average daily balance of low-cost deposits, including individual current deposits and call deposits was RMB90.087 billion, representing an increase of 21.76%. The interest payment level of individual deposits showed a significant downward trend from the beginning of the year.

During the reporting period, the Company actively implemented the policy requirements of the state and regulatory departments, solidly made great efforts in the “Five Finances”, supported the stable development of the real estate market with the concerted efforts of its relevant business lines, vigorously promoted mortgage loan business and increased the allocation of loans for green and low-carbon buildings, aiming to meet residents’ reasonable financial needs for housing as a fulfillment of its social responsibilities. Meanwhile, the Company thoroughly implemented the decisions and deployments on boosting consumption and expanding domestic demand, implemented the fiscal discount policy for personal consumer loans, increased the issuance of consumer loans and continued to expand customer acquisition through scenario-based operations, and continuously improved the quality and efficiency of retail loan services. As of the end of the reporting period, the Company’s retail loans balance (including personal housing loans and personal consumer loans) amounted to RMB287.541 billion. Among which, the Company’s personal housing loans balance was RMB187.521 billion, representing an increase of 0.63% over the beginning of the year.

^{Note 1} This figure does not include online loan customers. As at the end of the reporting period, the Company had a total of 38.0562 million retail customers (including online loan customers).

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Wealth Management

During the reporting period, focused on customer value, supported by professional capabilities and driven by digital and intelligent empowerment, the Company systematically advanced its wealth management business to new heights. As of the end of the reporting period, the retained scale of the retail distribution business was RMB499.693 billion, representing an increase of 33.37% over the beginning of the year.

During the reporting period, adapting to the recovery trend of the equity market, the Company systematically established a diversified product supply system featuring “stability-oriented foundation, progress-driven returns, feature-enriched supplementary”, and continuously improved the standard of asset allocation services and customers’ return experience. First, centering on customers’ demand for stable-return allocation, it increased the supply of fixed-income and “fixed income+” products. As of the end of the first half of the year, asset management and trust products of the “fixed income+” category increased by 50.67% year-on-year. Second, seizing capital market opportunities, the Company steadily enhanced its professional capabilities in distributing public and private funds. Sales of non-monetary public funds in the first half of the year increased by 183.40% year-on-year, and revenue from distribution of full-category public funds increased by 122.41% year-on-year. It innovatively launched senior-tranche sunshine private equity products and continued to issue flat-strategy products, achieving rapid breakthroughs in private equity strategies. Third, in thoroughly implementation of the national strategic deployment of the “Five Finances”, the Company laid out key strategic scenarios across the Bank and continuously enriched its customized product matrix. During the reporting period, the Company launched a total of 346 customized products around featured customer group scenarios including “Wuyue Cup” (吴越杯), “Deepening the Development in Zhejiang”, “Jin Gui Ren Sheng” (金桂人生) and “Dedicated Private Banking” (私行專屬). Fourth, it deepened the application of AI large-model technology to improve the quality and efficiency through digital empowerment. During the reporting period, the Company deepened the application of AI large models in the wealth management sector, deployed, launched and systematically promoted module functions such as the AI Investment Research Assistant, AI Wealth Manager Assistant and AI Intelligent Training Assistant. It continuously iterated its digital and intelligent wealth platform to boost the empowerment efficiency of the middle platform. During the reporting period, the number of issued asset allocation proposals increased by 87.40% year-on-year, with the converted amount increased by 42.33% year-on-year.

(4) Private Banking

During the reporting period, adhering to the philosophy of “passing of wealth and wisdom for sustainable development”, the Private Banking of the Company focused on the needs of high-net-worth customers, and provided comprehensive financial services, personalized value-added services and one-stop cross-border services, committed to helping customers preserve and increase their wealth and achieve the sustainable development of family businesses. As of the end of the reporting period, the Company had 19,330 private banking clients, representing an increase of 9.72% over the beginning of the year; the balance of financial assets of private banking clients was RMB263.9 billion, representing an increase of 8.51% over the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, anchoring the main line of serving the real economy and focusing on livelihood areas such as pension services and charity, the Company established a full life-cycle service system for private banking clients to help entrepreneurs and other groups fulfill social responsibilities. First, it deepened tiered customer operation and improved the full life-cycle exclusive service model. Relying on dedicated account managers and investment advisor teams, it built a client service system that is caring and professional. Second, it built a distinctive, customer-recognized, tiered, and classified private banking customer rights system to accurately match clients' diversified needs. Third, focusing on clients' diversified asset allocation needs, it created a multi-strategy, full-category private banking product matrix to continuously enhance client experience. Fourth, closely following national strategies and livelihood needs, it rolled out customized pension wealth planning services and built a professional charitable trust service platform. Fifth, based on systematic construction, supported by institutionalized operation and driven by digital intelligence, it devoted itself to shaping a private banking service brand with market influence.

(5) Credit Card (Consumer Finance) Business

During the reporting period, responding proactively to national policy orientations aimed at expanding domestic demand and boosting consumption, the Company focused on key consumption sectors such as cultural tourism and automobiles, and further advanced the featured and differentiated operation of its credit card (consumer finance) business. As of the end of the reporting period, the Company cumulatively issued 4.7711 million credit cards, representing an increase of 129,400 cards over the beginning of the year; affected by the Company's proactive optimization of asset structure, the balance of credit card (consumer finance) loans was RMB32.275 billion, representing a decrease of RMB1.402 billion over the beginning of the year.

During the reporting period, the Company made various efforts to optimize service supply and consolidate operational capabilities, striving to improve the quality and efficiency of consumer finance services. First, it proactively implemented the "Deepening the Development in Zhejiang" strategy, further promoted the CZBank•Picturesque Zhejiang Cultural Tourism Co-branded Credit Card (浙商銀行•詩畫浙江文旅聯名信用卡), continuously iterated the rights and interests system and expanded scenario touch points, accurately embedding financial services into the cultural tourism consumption chain to help unleash regional consumption vitality. Second, it strengthened full life-cycle management of credit-card customers, focusing on the five phases of customer acquisition, growth, maturity, decline and churn, and rolled out special business activities including new customer cultivation, dormant customer activation, value customer enhancement and churn customer retention, continuously lifting customer value contribution. Third, it deepened cooperation with leading payment platforms, focused on high-frequency payment life scenarios covering "clothing, food, housing, transportation and entertainment", and continuously carried out consumption rebate and discount campaigns to further enhance customer stickiness. Fourth, it accelerated digital transformation and actively piloted AI outbound calls in scenarios such as activation prompting, card-binding prompting and event notification, so as to effectively boost operational efficiency. Fifth, it vigorously expanded into the automobile consumer finance sector, strived to optimize the full-process experience of the vehicle purchase installment business, and drove steady growth in business scale.

MANAGEMENT DISCUSSION AND ANALYSIS

5. Small Enterprises Business

During the reporting period, the Company always upheld the original aspiration of inclusive finance. In strict compliance with the overall requirements of “stabilize issuance, optimize structure, improve quality, pursue sustainability” for small and micro enterprise financial services issued by the National Financial Regulatory Administration, the Company proactively advanced special initiatives for business transformation and development, intensified risk resolution and disposal efforts, and strived to improve the quality and efficiency of financial services for small and micro enterprises.

As of the end of the reporting period, all domestic branches of the Company had launched small and micro enterprise loan businesses. The balance of inclusive small and micro enterprise loans¹ was RMB330.436 billion, accounting for 17.95% of total loans, 4.25 percentage points above the industry average. The interest rate of newly issued inclusive small and micro enterprise loans decreased by 63 BPs year-on-year.

(1) Making targeted efforts, promoted the in-depth and practical implementation of the financing coordination mechanism

Relying on the Company’s three-level linkage system covering head-office, branches and sub-branches, and collaborating with district and county work groups, market regulation authorities, departments of economics and information technology as well as other relevant bodies, it regularly rolled out the “1,000-10,000 Visits” (千企萬戶大走訪) campaign. Through field visits, online questionnaires, symposium discussions and other channels, it precisely matched financing demands of small and micro enterprises, and prepared comprehensive financial service plans tailored to each enterprise. As of the end of the reporting period, more than 68,000 small and micro enterprises obtained credit facilities from the Company via the coordination mechanism for financing of RMB268.650 billion.

(2) Deepening the development in Zhejiang, spared no efforts in serving the construction of a demonstration zone for common prosperity

First, it actively advanced the development of a county-level comprehensive financial ecosystem. Focusing on industrial bottlenecks in mountainous and island counties across Zhejiang, it fully explored characteristic scenarios with market potential tailored to local conditions and developed customized service solutions through the “one county, one policy” approach to support the growth of inclusive market entities such as local farmers, new rural businesses and micro enterprises, thus helping boost the local ability to support economic growth, narrow regional gaps, and effectively activate the common-prosperity of mountainous and island counties. Second, it continuously organized the “Lecture for Merchants in Zhejiang”, covering economic situation analysis, policy interpretation and financial product promotion, etc. By deploying the integrated approach of “integrating intelligence, finance and services”, it empowered front line market entities that are “genuine small and micro enterprises and genuinely inclusive financial services”, and helped individual workers within the province consolidate development capacity and improve employment quality. As of the end of the reporting period, the inclusive loans to small and micro enterprises granted within the province during the year exceeded RMB80 billion, accounting for 51.84%, representing an increase of 3.49 percentage points as compared to that at the end of 2025. The “Lecture for Merchants in Zhejiang” had been held for nearly 200 sessions, benefiting over 12,000 individual business operators.

^{Note 1} According to the regulatory assessment criteria of the National Financial Regulatory Administration for inclusive small and micro enterprise loans, both “inclusive small and micro enterprise loans” and “total loans” exclude data related to bill discounting and rediscounting.

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Advancing systematic plans, assist the transformation and development, the accumulation and improvement of small enterprise

First, it formulated an integrated operation and implementation plan for customer base in small enterprise. Adhering to the “customer-centric and market-oriented” philosophy, it accelerated the transition toward a new comprehensive financial service model centered on settlement services, scenario establishment and customer group cultivation, with selected pilot branches rolling out relevant practices on a trial basis. Second, it refined the comprehensive operation service model. Taking comprehensive credit granting as the starting point and supplementing with diverse liquidity support tools to satisfy customers’ financing demands, it promoted cross-line product portfolio application to enhance small enterprise customer group stickiness and consolidate the customer base. Third, it established a tiered management system for small enterprise customers and implemented differentiated tiered marketing and service strategies.

(4) Strengthening industry research guidance, empower the iteration and upgrading of small and micro enterprises customer acquisition channels

First, it strengthened industrial research guidance, improved the top-down industrial research driven and scenario based bulk customer acquisition mechanism of “industrial research – customer group solution – on-ground implementation”. It built a target customer outreach path featuring “industrial customer group research + list driven + key person marketing”. Second, it conducted in-depth investigations into distinctive local industries in each region, identified small enterprise customer group within segmented industries with dense customer concentration, sound growth potential and controllable risks, so as to lift the efficiency of bulk customer expansion. Third, it boosted the application of investment and research outputs, and endeavoured to deliver full-chain empowerment ranging from research and development support, solution optimization to marketing promotion, thus enhancing the regional market adaptability of financial services.

6. Investment Banking Business

The investment banking business of the Company focused on the main line of industrial transformation and development. It built a three-in-one comprehensive service system featuring “debt + equity + match”, actively deployed diversified investment banking tools to serve high-quality customers, and continuously advanced the high-quality development of its investment banking business.

During the reporting period, the Bank utilized investment banking products to serve 1,182 clients such as central state-owned enterprises and private enterprises, an increase of 24.29% over the same period last year. The investment banking realized an FPA of RMB304.888 billion, among which, a full life-cycle bond business system was developed for bond underwriting service, we underwrote debt financing tools from non-financial enterprises worth RMB60.761 billion, with outstanding performance in characteristic segments including the underwriting of first-time issuers, private corporate bonds, and sci-tech innovation bonds, and we underwrote sci-tech innovation bonds worth RMB9.220 billion, an increase of 29.52% year-on-year; the credit enhancement business focused on professional services for first-time issuers and industrial customers, retaining its leading position in the market in terms of the amounts created; it participated in key project construction by way of syndicated loans, continuously expanded the cooperation ecosystem and further optimized its business structure; it realised the normalized issuance of credit asset securitization projects, achieved a circulation of various credit assets of RMB3.131 billion.

MANAGEMENT DISCUSSION AND ANALYSIS

Focusing on major national strategies and services for key areas, the Bank participated in capital market development through multiple approaches including M&A financing and transaction match. It continuously consolidated the development of its equity ecosystem, served local entities and empowered industries. Positioned as an ecosystem connector and industry enabler, it provided integrated comprehensive investment and financing services for high-quality market entities such as central state-owned enterprises, listed companies and sci-tech enterprises, and steadily improved the quality and efficiency of its comprehensive financial services.

7. Financial Market Business

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

In terms of the domestic currency market, the Company continuously strengthened macroeconomic research and market judgment, optimized its investment research analysis framework and investment portfolio structure, and made flexible use of hedging tools. While achieving steady investment returns, it actively fulfilled its market-making responsibilities and served national strategic priorities. During the reporting period, the Company participated in market-making for the standard sci-tech innovation bond basket organized by the National Interbank Funding Center and was awarded “Active Quoting Institution for Sci-Tech Innovation Bond Basket”, and actively engaged in the development of the floating rate bond market and was awarded “Active Institution for Floating-Rate Bond Transactions and Settlement” by China Central Depository & Clearing Co., Ltd..

In terms of the foreign currency market, the Company continuously optimized its product portfolio and service models, actively supported the development of Shanghai offshore financial center, served the real economy, earned market recognition across multiple business lines, and received several awards from the National Interbank Funding Center. These included the Excellent Participating Institution for Bank and Enterprise Platform, Excellent Offshore RMB Foreign Exchange Trading Member, Post Trade Service Support Institution, Excellent Data and Information Service Support Institution, Excellent Foreign Currency Repurchase Member, Excellent Foreign Currency Borrowing Member, and Excellent Foreign Currency Borrowing Quotation Bank.

In terms of the precious metals market, adhering to the service positioning of deepening its presence in the precious metals segment, the Company was committed to building a professional proprietary trading brand, continuously optimized market-adapted trading strategies, continuously improved its multi-level comprehensive service system, and achieved sound progress in market-making, product innovation and customer services. During the reporting period, the Company received several awards from the Shanghai Gold Exchange and the Shanghai Futures Exchange. These included the “Second Prize of Excellent Financial Member”, “Best Bidding Trading Member”, “Best Self-operating Member in Auction Trading”, “Best Auction Liquidity Providing Member”, “Best Request-for-Quote Market Maker”, “Best Participating Member for Lending and Borrowing Business”, and “Special Contribution Member in International Business”. Leveraging its diversified channel layout, the precious metals business achieved steady improvement in both the scale of customer group and the quality and efficiency of services.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of digital development, the Company continued to deepen digital transformation with the goal of enhancing the core competitiveness of its financial market business. It focused on building an intelligent market-making trading system covering multiple products including fixed income, foreign exchange and precious metals, actively explored the practical application of artificial intelligence in scenarios such as quotation decision-making, strategy optimization and risk early-warning, and built an integrated digital platform spanning the core links of “investment, research, trading and sales”, and drove the digital transformation of the entire trading lifecycle, with the support of risk compliance and business management.

8. Financial Institution Business

In its financial institution business, the Company adheres to a customer-centric approach guided by client demands and underpinned by professional expertise. It continuously expands cooperation scenarios, deepens synergies, steadily enhances the comprehensive client management capacity, boosts client stickiness and value contribution, and fosters long-term win-win partnerships. As of the end of the reporting period, the Bank provided services to more than 2,000 financial institution clients.

The Bank continues to deepen the development of its financial institution client base. It optimizes the tiered and categorized client management mechanism and builds a client service framework featuring “tiered client value, categorized client industries, and graded client management”. Leveraging the digital platform “Tongyouyi”, the Bank offers integrated financial services including capital financing, interbank consignment sales, over-the-counter bonds and asset supermarkets, facilitating the development of an interbank cooperation ecosystem. As of the end of the reporting period, the platform recorded 2,205 registered clients, representing an increase of 452 clients from the end of the previous year.

The Bank strives to optimize its interbank liability structure. It consistently consolidates its client base and vigorously expands low-cost liability sources. The proportion of interbank demand deposits to total interbank deposits rose further compared with the end of last year, while the interest payment rate on domestic and foreign currency interbank deposits fell by 25 basis points compared with the end of last year.

The Bank actively drives the growth of interbank asset businesses. Seizing opportunities brought by global development, it supports RMB internationalization and deepens interbank cooperation with foreign-funded banks. It strengthens market research and judgment, improves investment and research capabilities for standardized asset investments, and delivers effective services to the Bank’s high-quality real economy corporate clients.

MANAGEMENT DISCUSSION AND ANALYSIS

9. Asset Custodian Business

Upholding the sustainable development philosophy, the Company's priorities in its asset custodian business are breakthroughs in client-oriented product development and the upgrading of service support, fully advancing the steady and high-quality growth of the segment.

First, the asset custodian business delivered growth in both scale and revenue. As of the end of the reporting period, the Bank had total assets under custody of RMB2.78 trillion, representing an increase of RMB55.993 billion or 2.06% from the beginning of the year. During the reporting period, revenue generated from the custodian business reached RMB375 million, representing a year-on-year increase of 2.46%. The Bank had assets under custody for asset management products of RMB2.02 trillion, representing an increase of 0.87% from the beginning of the year and accounting for 72.77% of total assets under custody, 7.9 percentage points higher than the average level for joint-stock commercial banks, reflecting a sound asset custody structure.

Second, the public offering fund custody business maintained stable expansion. At the end of the reporting period, the Bank had assets under custody for public offering funds of RMB587.953 billion, growing by 1.04% from the beginning of the year and accounting for 21.16% of total assets under custody, maintaining its leading market ranking. During the reporting period, revenue generated from public offering funds hit RMB206 million, increasing by 8.01% year-on-year.

Third, multiple measures were implemented to improve operational quality and efficiency. Digital transformation of custody operations moved forward consistently with the successful launch of the intelligent custody operation platform. The Bank accelerated the development of centralized custody operations, standardized and optimized contract review workflows, and established a regularly updated library of standard custody contracts, which significantly lifted contract review efficiency. A standardized performance appraisal system was set up, with quantitative metrics defining responsibilities and efficiency benchmarks for all operational processes. This delivered coordinated progress in efficiency improvement and stable operation, sustaining smooth and secure business performance with zero risk incidents throughout the reporting period.

(VIII) FINANCIAL TECHNOLOGY

Guided by the vision of being “a first-class commercial bank”, the Company adheres to the strategy of “invigorating the bank through technological innovation”, vigorously advancing its digital transformation, steadily strengthening its digital infrastructure, and building a robust security line for safe operation. Meanwhile, the Company is accelerating the deep integration of digital technologies, data elements and financial operations, effectively enhancing its digital operation and management capabilities, and comprehensively improving the quality and efficiency of its digital financial services, so as to inject strong momentum into the high-quality development of the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Continuously Consolidating the Foundation of Technological Capabilities to Lay a Solid Groundwork for Digital and Intelligent Development

The Company firmly seized the opportunities presented by the development of artificial intelligence and advanced the “core reconstruction and foundation enhancement” project, data governance and AI-empowered construction in a coordinated manner, and to focus on building a new-generation digital infrastructure system that is secure, reliable, agile, efficient and intelligence-driven, thereby providing solid technological support for the Bank’s high-quality development. Firstly, the Company is steadily implementing the “core reconstruction and foundation enhancement” project. By now, development of all functionality for the next-generation core system has been completed, and multiple rounds of system testing, data migration and upgrades to peripheral systems have been advanced methodically, with overall progress being in line with the established schedule. The system is expected to be put into trial operations by the end of 2026. At the same time, the Company is continuing to strengthen its cloud-native and distributed technology foundation, and steadily advancing the transition to cloud-based and service-oriented applications. Secondly, the Company has deepened its data governance initiatives and continued to strengthen its data foundation. To this end, the Company has launched and rolled out a data model design and standards compliance management platform, establishing a bank-wide unified mechanism for managing data standards compliance. The Company has also continued to enhance data quality monitoring, with data quality check rules totaling 28,000. The Company deepened the development of data assets by further enriching data marts across eight major domains including retail, corporate, interbank, operations and audit, with more than 3,300 indicators and tags accumulated, thereby driving the transformation of data resources into data assets. Besides, the Company focused on bridging the “last mile” of data utilization and has basically completed the elimination of all manual reports at the grassroots and regional levels across the Bank. Thirdly, the Company actively implemented the national strategic deployment of “artificial intelligence +” by systematically advancing AI-empowered construction, as well as improving AI infrastructure including computing clusters and enterprise-level agent platforms. Specifically, it identified the first batch of key AI construction scenarios, and promoted pilot implementations of retail AI assistants, corporate AI assistants and intelligent credit risk control, while actively advancing intelligent R&D. The Company has routinely conducted the specialized training of “artificial intelligence + finance” to accelerate the enhancement of AI competencies and literacy of all employees.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Comprehensively Deepening Digital Technology Applications to Empower Business Operations and Management by Improving Quality and Efficiency

Driven by data elements and intelligent technologies, the Company is accelerating the comprehensive intelligent upgrading of service channels, marketing and operations, risk management and internal management. Firstly, the Company continues to enhance the user experience of online services such as mobile banking, strengthen age-friendly renovation, and upgrade and promote a digital and intelligent operations management platform to drive a leap forward in operations management toward digitization, process standardization, and traceability. Adhering to a customer-centric approach, the Company iteratively upgrades systems such as CRM and big data marketing platforms, continuously refines the customer tagging system and customer 360-degree view, promotes tiered and categorized customer management, and consistently improves the precision of customer marketing as well as the efficiency of customer engagement and conversion. Secondly, the Company leverages technology to strengthen full-chain risk control system by enriching and refining risk control models for both general and specialized scenarios, vigorously advancing the construction of digital and intelligent credit systems, and iteratively upgrading enterprise-level risk management platforms such as big data risk control and digital and intelligent anti-money laundering systems. Meanwhile, the Company introduces new capabilities, including monitoring of high-risk customers and tracking of money laundering-related risks and public sentiment, to continuously improve the accuracy of risk identification, the timeliness of early warnings, and the rationality of intervention measures. Thirdly, the Company enhances the digitalization of internal management by building a robust, integrated management platform that consolidates data from human resources, finance, credit approval and retail operations to enable risk early warning tracking and the intelligent push of operational data. Focusing on the three major areas of risk management, financial expenses, and talent selection and appointment, the Company implements a smart authority supervision dashboard to achieve visual display of pilot programs for authorization, exercise of authority and authority control, thereby empowering refined management by digital means.

3. Accelerating Innovation in Digital Products and Services to Create Further Competitive Advantages in Digital and Intelligent Financial Services

The Company continues to deepen the comprehensive support and empowerment of scientific and technological innovation for business development by embedding digital and intelligent capabilities into the core of our products and platforms, so as to provide customers with more convenient, efficient, and intelligent comprehensive financial services. On the one hand, the Company optimizes smart retail and strengthens inclusive financial services. Leveraging the online channels of our mobile banking App, the Company newly introduces wealth management sections such as “Yucong” (玉琮) and “Payroll Disbursement” (代發) to enable precise customer identification, intelligent product allocation, and integrated service delivery. Besides, the Company further refines our inclusive financial product and service system for small and micro enterprises, optimizes digital tools such as tax invoice authorization and intelligent transaction history analysis and empowers frontline business processing and risk management, thus comprehensively enhancing the efficiency and service experience of online financing for small and micro enterprises. On the other hand, the Company strengthens industrial finance to empower the real economy. The Company iteratively upgrades the digital platform for technology finance by building intelligent profiling and scoring models, empowering refined, tiered and categorized management of tech finance customer base. Moreover, the Company develops the “Lingke” (靈客) supply chain finance platform to comprehensively integrate capabilities such as graph analysis and chain-based customer acquisition, in order to achieve precise penetration in supply chain marketing. The Company steps up its efforts in the innovation and promotion of the supply chain bill business. By fully leveraging digital products and tools such as straight-through bill issuance and “Yintietong” (銀貼通), the Company has achieved large-scale application in scenarios such as procurement and sales across the upstream and downstream of industrial chains, as well as public utility bill payments.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Continuously Strengthening Risk Management to Ensure Steady and Sustainable High-Quality Development

The Company continuously strengthens our “bottom-line” mindset, strictly controls technical risks and effectively ensures safe production and operations across the entire bank, in order to steadily enhance our capabilities to ensure business continuity. Firstly, the Company solidifies the foundation for safe production and operations by iteratively upgrading platforms such as centralized monitoring and operations and maintenance (O&M) management, and by deeply advancing O&M capabilities toward automation and intelligence. Specifically, the Company has improved the emergency management system, routinely conducted realistic emergency drills, and successfully completed the People’s Bank of China’s 2026 extreme stress test for core business systems and the special surprise drill simulating a power outage. In addition, the Company has persistently advanced the construction of a “dual-site, multi-center, multi-active” disaster recovery system, and commissioned a new intra-city multi-active data center, effectively increasing the load capacity of server room, thus ensuring the secure and stable operation of systems. Secondly, the Company deepens the integrated management of cybersecurity and data security by implementing special campaigns for cybersecurity and data security, comprehensively carrying out targeted inspections and rectifications of security risks, and iteratively optimizing the technical protection system for cybersecurity and data security. Through these efforts, the Company has effectively enhanced the Bank’s overall protection capabilities in cybersecurity and data security, enabling the Bank to successfully complete all major cybersecurity support tasks with “zero incidents”.

(IX) E-FINANCE SERVICES

During the reporting period, the Company established a complete E-finance service system covering online banking, mobile banking, remote banking, WeChat banking, bank-enterprise direct connection, Yongjin Treasury Cloud (湧金財資雲), and online settlement services. The replacement rate of transactions via electronic channels reached 99.93%, taking a leading position in the industry. During the reporting period, the Company vigorously promoted the construction of E-finance channels, enhanced customer experience building and improved risk control measures, resulting in steady growth in channel customers, further improvement in the quality and efficiency of business scale and sustained enhancement of channel service capacity.

Online Banking

During the reporting period, being customer-oriented, the Company continuously optimized personal online banking experience, simplified the operations of frequently used functions, enriched channel service scenarios and extended customer channel services. As at the end of the reporting period, the Company had 2.4919 million customers of personal online banking, representing an increase of 0.34% over the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, based on the actual needs of enterprises, the Company newly launched eight versions of online banking app; it continued to iterate and optimize frequently used functions such as fund transfers and remittances, payroll disbursements, and certificate renewals, implemented special initiatives related to anti-money laundering, anti-fraud, and data governance; and it continuously simplified the operation of frequently used functions to further reduce customer steps and enhance customer experience. As at the end of the reporting period, the Company had 332,600 customers with corporate online banking certificates, representing an increase of 2.14% over the beginning of the year.

Mobile Banking

During the reporting period, the Company's personal mobile banking focused on the digital transformation of wealth management to optimize customer experience. Besides, it has newly launched online trading of savings bonds, optimized the wealth dashboard and dedicated sales sections for specific customer base, upgraded the accumulated gold transaction service, and implemented age-friendly risk controls and interface improvements. As at the end of the reporting period, the Company had 8.9820 million personal mobile banking customers, an increase of 7.38% from the beginning of the year.

Remote Banking

The Company's remote banking consistently sticks to the service philosophy of "Customer-Centric, Beyond Expectation". With the integration of digital and intelligent technologies as our core focus, the Company continuously enhances our multi-channel service system, including intelligent voice customer service, intelligent online chatbots, telephone agent services, online agent services, WeChat and email, to provide customers with efficient, comprehensive, and professional high-quality service. Focusing on the three-core strategic positioning of 24-hour intelligent customer service, digital and intelligent customer marketing, and smart operations management, it has built a 7×24-hour remote banking service platform.

During the reporting period, the remote banking handled an accumulation of 2.6988 million customer inquiries, up 28.51% year on year, with an overall connection rate of 95.66%. Among these, 1.7488 million inquiries were handled via telephone, with a manual telephone connection rate of 87.79% and a customer satisfaction rate of 99.71%. Online services were provided 0.9500 million times, with an online connection rate of 99.51%. The Bank continued to improve age-friendly and caring services. During the reporting period, the remote banking served elderly customers for an accumulation of 39,100 person-times, up 5.11% year on year, effectively improving the age-friendliness of financial services.

Leveraging diversified outreach channels including intelligent AI outbound calls, manual outbound calls, SMS and Enterprise WeChat private domain operations, the Company continues to deepen its "human + AI, online + offline" collaborative operating model to advance refined customer management. During the reporting period, remote banking carried out 4.6000 million telephone outbound operations, up 40.75% year on year, effectively supporting business expansion and enhancing customer value.

WeChat Banking

During the reporting period, the Company was committed to developing WeChat Banking into a key platform for innovative financial services and brand promotion. The Company's WeChat Banking includes the CZBank WeChat Official Account and the CZBank Cloud Branch WeChat Mini Program. The CZBank WeChat Official Account includes function modules such as "Credit Card & Personal", "Small & Micro Enterprises & Corporate", and "Recruitment & Services". The CZBank Cloud Branch WeChat Mini Program offers features such as branch appointments, personal loans, and special promotions.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank-Enterprise Direct Connection and Yongjin Treasury Cloud

During the reporting period, the Company took “financial technology + professional services” as the core, and adhered to the principles of digital and intelligent empowerment, business-finance integration, and open interconnection. It continuously enhanced bank-enterprise direct connection and Yongjin Treasury Cloud services. As at the end of the reporting period, the Company had 3,148 core clients of bank-enterprise direct connection and 233 contracted clients of Yongjin Treasury Cloud.

Online Settlement Business

During the reporting period, the Company conducted a comprehensive review of its corporate payment and settlement product portfolio. Guided by the needs of government agencies and real enterprises and institutions, it focused on major scenarios such as bidding, fund management, and acquiring, and increased the support and application promotion of online settlement services, with the adoption rate of collection and payment separation products increasing significantly, batch-landing a group of central and state-owned enterprise clients.

(X) OVERSEAS BRANCH BUSINESS

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

As at the end of the reporting period, the Hong Kong Branch of the Company realized an operating income of HK\$565 million and a net profit of HK\$347 million.

MANAGEMENT DISCUSSION AND ANALYSIS

(XI) MAJOR SUBSIDIARIES AND EQUITY PARTICIPATION COMPANIES

1. Major subsidiaries

(1) Zheyin Financial Leasing

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

As at the end of the reporting period, Zheyin Financial Leasing had total assets of RMB94.916 billion and net assets of RMB9.777 billion. It realized a net profit of RMB664 million during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) CZB Wealth Management

CZB Wealth Management was established in January 2025, with a paid-in capital of RMB2.0 billion, and the Bank holds 100% of its equity. The business scope of CZB Wealth Management includes the issuance of wealth management products, investment and management of investors' entrusted property, and provision of wealth management advisory and consulting services. Since its establishment, CZB Wealth Management deeply embodied the political responsibility and people-centered nature of finance, remained committed to its original aspiration of "managing wealth on behalf of customers", and adhered to the business philosophy of "integrity, prudence, compliance, and professionalism". Adhering to a long-term perspective and guided by the principles of stability, low volatility, and long-term returns, it is committed to providing "stable, inclusive and diversified" asset management products and wealth management services to clients across the entire market, while attracting top-tier professional talent through market-oriented, autonomous operations, striving to develop the Company into a "first-class wealth management company".

As at the end of the reporting period, the scale of wealth management products managed by CZB Wealth Management amounted to RMB184.717 billion, with total assets of RMB2.655 billion and net assets of RMB2.522 billion, and it realized a net profit of RMB42 million during the reporting period.

2. Equity Participation Companies

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

(XII) EVALUATION OF PROGRESS ON QUALITY IMPROVEMENT, EFFICIENCY ENHANCEMENT AND RETURN FOCUS

To effectively advance the Company's high-quality development and investment value enhancement, and protect the legitimate rights and interests of investors, especially small and medium-sized investors, the Company actively acted in response to relevant initiatives of the Shanghai Stock Exchange. Following the deliberation and approval at the second extraordinary meeting of the Seventh Session of the Board of Directors of the Company for 2026, the Company issued the "2026 'Improving Quality, Increasing Efficiency, and Emphasizing Returns' Action Plan of China Zheshang Bank Co., Ltd." on April 29, 2026. The action plan specifies systematic measures focusing on improving operational quality, supporting the development of new-quality productive forces, enhancing corporate governance, strengthening the accountability of the "critical minority" and increasing returns to investors.

During the reporting period, the Company coordinated the implementation of various measures to improve quality and enhance efficiency, and the implementation status is hereby reported as follows:

1. Operating quality and efficiency showed steady improvement

During the reporting period, the Company consistently upheld the comprehensive strengthening of the Party's leadership as the fundamental guarantee, focused on deepening the development in Zhejiang and serving the real economy, and maintained a stable and positive operating trend, with all indicators meeting expectations. Operating income and net profit attributable to shareholders of the Bank continued to grow steadily, while the volumes of total deposits and total loans maintained reasonable growth rates, and asset quality remained stable.

For details of the development strategies and overall operating status of the Company, please refer to: "Development Strategies and Core Competitiveness" and "Management Discussion and Analysis – (I) Analysis of Overall Operation Performance".

MANAGEMENT DISCUSSION AND ANALYSIS

2. Financial enablement for new-quality productive forces was strengthened

During the reporting period, the Company continued to increase its financial support for the field of scientific and technological innovation to foster the development of new-quality productive forces. Firstly, credit support for scientific and technological innovation continued to expand, serving more than 4,300 high-level talents. Secondly, the Company focused on empowering key strategic emerging industries by deepening our engagement in sectors such as biopharmaceuticals, integrated circuits, aerospace, and artificial intelligence, while increasing resource allocation to support a group of hard-tech enterprises with promising prospects. Thirdly, the Company advanced the building of a professional sci-tech finance team. To this end, all 15 key branches dedicated to sci-tech innovation have established sci-tech innovation finance departments, actively building sci-tech finance teams to enhance professional service capabilities in this area. Fourthly, the integration of product innovation and ecosystem development has gained momentum. The Bank has innovatively launched products such as the Sci-Tech Innovation Bank-Investment Loan 2.0 (科創銀投貸 2.0) and Stock Option Loan (認股選擇權貸款) and has collaborated with investment institutions and research institutes to build ecosystems. It has deepened cooperation in areas such as investment-lending linkage, sci-tech innovation bonds, and commercialization services for sci-tech achievements to support the development of the innovation ecosystem.

3. Quality improvement and efficiency enhancement in corporate governance were promoted

During the reporting period, the Company took the revision of the Articles of Association as an opportunity to refine the provisions on Party building and continue to consolidate the leading role of the Party organization within the corporate governance structure. Specifically, the Company comprehensively standardized the operation and management of the shareholders' meeting, smoothed communication channels with investors, and effectively safeguarded the legitimate rights and interests of all shareholders. Besides, the Company completed revisions to The Rules of Procedures for the Audit Committee of the Board of Directors, The Rules of Procedures for the Risk and Related Party Transaction Control Committee of the Board of Directors, and The Rules of Procedures for the Nomination and Remuneration Committee of the Board of Directors, thereby strengthening the institutional foundation for standardized operations and completing the reform of the governance structure. The Audit Committee of the Board of Directors has successfully assumed the statutory duties and powers of the Supervisory Committee.

During the reporting period, the Company issued the "Action Plan for Further Standardizing Corporate Governance and Enhancing Governance Effectiveness" (《關於進一步規範公司治理、提升治理效能的行動方案》), which proposed specific measures to tangibly improve the operational efficiency of governance and continuously strengthen coordination and collaboration among corporate governance entities. By optimizing the composition of the special committees under the Board of Directors, organizing Board members to conduct thematic research visits to branches, and coordinating the participation of directors in various specialized training programs, the Company intends to strengthen safeguards for directors' performance of their duties, thus enhancing the quality and efficiency of directors' performance of their duties. During the reporting period, the Company organized special meetings and symposiums for independent directors to promote alignment among all corporate governance bodies regarding development strategies and business approaches, thereby effectively safeguarding the fundamental interests of the shareholders of the Bank.

MANAGEMENT DISCUSSION AND ANALYSIS

4. Long-term constraints on the key minority were refined

During the reporting period, the Company constantly refined its clawback mechanism for performance-based remuneration. It completed the revision of the Measures for the Management of Claw-back of Performance-Based Remuneration of China Zhesang Bank (2026 Edition), clarifying the circumstances and percentages under which performance-based remuneration is subject to clawback when responsible individuals receive Party disciplinary sanctions, administrative sanctions, or other disciplinary actions, thereby further refining the long-term constraint mechanism.

5. Cash dividends were scientifically and steadily implemented

During the reporting period, the Company strictly followed the established dividend policy, fully considered the Company's profitability status and capital needs, and scientifically formulated the 2025 dividend plan. As approved by the Board of Directors and the shareholders' meeting, a cash dividend of RMB0.131 per share (tax inclusive) was distributed to all shareholders, totaling a cash dividend of RMB3.598 billion (tax inclusive), which accounted for 30.06% of the net profit attributable to the Bank's ordinary shareholders for the year. The Company completed the 2025 A-share dividend distribution on June 26, 2026, and the H-share dividend distribution on July 16, 2026. Our Company has always attached great importance to investor returns, so as to effectively enhance the shareholders' sense of gain.

6. Quality and effectiveness of information disclosure were continuously improved

During the reporting period, the Company faithfully performed its information disclosure obligations. By strictly adhering to the relevant laws and regulations for information disclosure in both domestic and overseas jurisdictions, it conducted information disclosure work in a true, accurate, complete, timely and fair manner, continuously improved the disclosure content of its periodic reports and enhanced the proactiveness and timeliness of the disclosure of temporary announcements. Thus, the effectiveness and transparency of its information disclosure was continuously improved.

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

7. Investor relations management was continuously enhanced

During the reporting period, the Company continuously intensified its investor relations management. By consistently diversifying its communication methods, and expanding its communication channels, the Company conveys its intrinsic value to the market in a multi-layered and multi-dimensional manner. In addition, it attentively listened to the concerns of various types of investors, and pragmatically engaged in targeted communication and responses, in order to foster a positive interactive relationship between the Company and its investors. Furthermore, it also innovated its form of publicity for investor education and earnestly fulfilled its primary responsibility as a listed company to protect investors.

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

MANAGEMENT DISCUSSION AND ANALYSIS

(XIII) OUTLOOK

Looking ahead to the second half of 2026, external uncertainties remain numerous, the domestic imbalance between strong supply and weak demand remains prominent, economic development continues to exhibit a K-shaped divergence, and the transition from old to new growth drivers continues to deepen. As the new growth drivers gain robust momentum in providing support for and leading the economy, the pace of transformation and upgrading in traditional industries gradually accelerates, and the effects of policies steadily take hold, there remain solid conditions and support for achieving the expected main annual targets, particularly the expected economic growth target. It is expected that in the coming period, macroeconomic policies will continue to take effect. By focusing on expanding domestic demand and improving supply, promoting a smooth transition from old to new growth drivers, unleashing the growth potential of investment and consumption, and improving the supply-demand balance in the real estate sector through city-specific measures, the Company expects to provide an effective support for achieving a good start for the “15th Five-Year Plan”.

In the second half of 2026, the Company will earnestly implement the decisions and deployments of the CPC Central Committee, the State Council, and the Zhejiang Provincial Party Committee and Provincial Government, while adhering to a long-term perspective, in order to effectively carry out all strategic tasks for the next stage. In the second half of the year, the Company will focus on the operational principle of “profit first, appropriate scale”. On the condition that risks remain under control, the Company will prioritize generating profitable revenue while achieving reasonable growth in scale, so as to drive the full achievement of our business objectives with high-efficiency execution.

CORPORATE GOVERNANCE

I. OVERVIEW OF CORPORATE GOVERNANCE

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

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

In the first half of 2026, the Company's new amendments to the Articles of Association were approved by the National Financial Regulatory Administration. By refining the provisions on Party building, the Company further consolidated the leading position of the Party organisation within its corporate governance structure, promoted the development of a new corporate governance mechanism characterized by clear delineation of powers and responsibilities, distinct roles, and collaborative coordination, and ensured that the Party's leadership and Party building are integrated into all aspects and processes of corporate governance and business management. At the same time, we optimized the Rules of Procedures for the Shareholders' General Meeting, the Rules of Procedures for the Board of Directors, the Rules of Procedures for the Board Audit Committee, the Rules of Procedures for the Board Risk and Related Party Transaction Control Committee, and the Rules of Procedures for the Nomination and Remuneration Committee of the Board of Directors. The Company successfully completed the reform of its governance structure, with the Board Audit Committee smoothly taking over the statutory supervisory powers of the Supervisory Committee, thereby achieving a comprehensive upgrade of its governance system.

II. SHAREHOLDERS' MEETING

Pursuant to the Articles of Association, the shareholders' meeting is the supreme authority of the Company, and the Board of Directors is accountable to the shareholders' meeting. The Company raised an independent resolution for each actually independent matter at the shareholders' meeting, and voted by ballot to ensure that all shareholders fully and equally enjoy the right to know, the right to speak, the right to raise questions, the right to vote and other rights.

During the reporting period, the Company held the 2026 first extraordinary general meeting on January 26, 2026, and the 2025 Annual General Meeting on June 8, 2026. For details of relevant proposals and relevant announcements on resolutions adopted at the meeting, please refer to the relevant announcements published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

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

CORPORATE GOVERNANCE

III. MEETINGS OF THE BOARD AND ITS SPECIAL COMMITTEES

During the reporting period, the Board of the Company organized and convened 4 Board meetings, at which 60 resolutions were considered and approved and reports on related matters were heard.

During the reporting period, the special committees under the Board of the Company organized and convened a total of 16 meetings, including 2 meetings by the Strategic and Sustainable Development Committee, 4 meetings by the Audit Committee, 4 meetings by the Risk and Related Party Transaction Control Committee, 4 meetings by the Nomination and Remuneration Committee, 1 meeting by the Consumer Rights Protection Committee, and 1 meeting by the Inclusive Finance Development Committee. At these meetings, 56 resolutions were considered and approved and reports on related matters were heard.

The Company convened 1 special meeting of the independent directors, at which 7 resolutions were considered and approved.

IV. BOARD DIVERSITY POLICY

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

The Board Diversity Policy of the Company comprises chapters such as purpose, philosophy, policy statement, expected objective, supervision and reporting, with the main purpose of recognizing and accepting the philosophy of building a diversified Board to strengthen the execution of the Board, and affirming the importance of diversity of the Board to achieve strategic objectives. During the reporting period, the geographical distribution, educational background and professional experience of members of the Board are relatively diversified. Among the current 12 directors, 1 of them is female, and 12 are with post graduate diploma or master degree or above, including 4 with doctoral diploma. The diversified composition of the Board brings a broad vision and a high level of professional experience to the Board and maintains an independent element within the Board to ensure that the Board is able to effectively make independent judgments and scientific decision when studying and considering material issues.

V. IMPLEMENTATION OF INFORMATION DISCLOSURE

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

CORPORATE GOVERNANCE

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

The Company truly, accurately and completely carried out information disclosure work in a timely manner, strictly in accordance with the requirements of relevant information disclosure laws and regulations. During the reporting period, the Company disclosed a total of 58 various announcements for A Shares on the newspapers designated by the CSRC, including China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily, the websites of the Shanghai Stock Exchange and the Company, and disclosed a total of 71 various announcements for H Shares on the websites of the Hong Kong Stock Exchange and the Company, which ensured that all shareholders had equal opportunity to get relevant information of the Company.

VI. INVESTOR RELATIONS MANAGEMENT

During the reporting period, the Company attached great importance to communication and exchanges with investors, continuously strengthened its investor relations management capabilities, built multi-level and diversified communication bridges with all types of investors, and continuously optimized its value presentation and communication, thereby effectively deepening the market's recognition of the Company.

First, the Company held a high-quality results presentation to effectively convey its operational confidence. On March 31, 2026, the Company held its 2025 annual results presentation in Hangzhou, in a hybrid format of “on-site meeting + online live broadcast”. This results presentation marked the first public exchange between the Company's new management team and the market. The Chairman and senior management gave sincere and comprehensive responses to questions raised by investors, analysts, and the media, and offered thorough and in-depth explanations on key issues such as the Company's strategic direction and implementation arrangements, the progress of the strategy of “Deepening the Development in Zhejiang” and future plans, thereby effectively conveying the Company's operational performance and efficiency as well as its confidence in future development.

Second, the Company regularly conducted diverse promotion and exchange activities to strengthen the foundation of its investor relations. During the reporting period, the Company continued to carry out various exchange activities by receiving institutional investor site visits, participating in brokerage strategy meetings and conducting specialized roadshows, covering over 50 brokerages, funds and key institutional investors, effectively consolidating the investor base; it held exchange meetings with overseas investors, effectively expanding the dimensions of its capital-market outreach and further bolstering overseas investors' confidence; focusing on the Company's distinctive businesses and featured branches, the Company continued to host the “Zhe-Enjoy Value” (浙享價值) series of Investor Open Day events, fully demonstrating to investors the results of the Company's strategic execution and highlights of its business development.

Third, the Company innovated the investor education and publicity formats and actively fulfilled its principal responsibility for investor protection. Capitalizing on key events such as “March 15 International Consumer Rights Day”, “May 15 National Investor Protection Publicity Day” and the Anti-Illegal Finance and Anti-Fraud Publicity Month, and leveraging the “Wuyue Cup” competition platform, the Company publicised its investor protection initiatives and disseminated knowledge on investor education, protection and rational investment. This series of activities effectively reached over 2,000,000 people, significantly improving the coverage and effectiveness of its investor services.

CORPORATE GOVERNANCE

Fourth, the Company consistently prioritized safeguarding investors' rights and interests and ensuring that all shareholders could fully exercise their rights. During the reporting period, the Company strictly adhered to regulatory requirements in convening shareholders' meetings. In particular, the Company implemented various measures to facilitate participation by small and medium-sized shareholders, including offering diversified registration channels and assigning dedicated staff to handle registration and attendance matters. At the same time, the Company maintained sound communication with small and medium-sized investors, regularly responded to investors' questions on SSE e-interaction, handled IR mailbox emails, answered investor hotline calls, and standardized the recording and feedback of investor exchanges.

VII. SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct for securities transactions by Directors, which is not less rigorous than the Model Code set out in Appendix C3 of the Hong Kong Listing Rules. The Company has confirmed with all Directors and hereby acknowledged that they had complied with the aforesaid code during the period from January 1, 2026 to June 30, 2026.

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

The Company agrees to the principles as set out in Corporate Governance Code (Appendix C1 to the Hong Kong Listing Rules). From January 1, 2026 to June 30, 2026, the Company has been in full compliance with the code provisions under such Code, except for the following:

According to code provision C.1.5 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the general meetings. During the reporting period, one non-executive Director of the Company was unable to attend the annual general meeting of 2025 of the Company held on June 8, 2026 due to business engagement. However, there were sufficient Directors (including executive Directors, non-executive Directors and independent non-executive Directors) present at the annual general meeting of 2025 to ensure that the Board had a full and fair understanding of the views of the shareholders of the Company and that any Director absent from the annual general meeting of 2025 was able to obtain an understanding of the views of the shareholders of the Company expressed at the annual general meeting of 2025, if any, from the Directors present at the meetings.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARES

(I) Table of Changes in Ordinary Shares

Unit: Share

	December 31, 2025		During the reporting period Number of Changes (shares)	June 30, 2026	
	Number	Proportion (%)		Number	Proportion (%)
I. Restricted shares	-	-	-	-	-
II. Unrestricted shares outstanding	27,464,635,963	100.00	-	27,464,635,963	100.00
1. RMB ordinary shares	21,544,435,963	78.44	-	21,544,435,963	78.44
2. Domestically listed foreign shares	-	-	-	-	-
3. Foreign shares listed abroad	5,920,200,000	21.56	-	5,920,200,000	21.56
4. Other	-	-	-	-	-
III. Total number of ordinary shares	27,464,635,963	100.00	-	27,464,635,963	100.00

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

(II) Description on Change in Ordinary Shares

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

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

II. INFORMATION ON SHAREHOLDERS OF ORDINARY SHARES

Number of Shareholders of Ordinary Shares and Their Shareholdings

As of the end of the reporting period, the Company had 196,200 shareholders of ordinary shares in total, including 196,093 shareholders of A Shares and 107 shareholders of H Shares.

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

Unit: Share

Name of shareholders (Full Name)	Increase/ decrease during the reporting period	Number of shares held at the end of the Period	Proportion (%)	Class of shares	Pledge or freezing		Nature of shareholders
					Status of shares	Number	
HKSCC Nominees Limited	-51,910	5,919,834,709	21.55	H Share without selling restrictions	unknown	-	-
Zhejiang Provincial Innovation Investment Group Co., Ltd.	-	3,452,076,906	12.57	A Share without selling restrictions	-	-	State-owned Legal Person
Hengdian Group Holdings Limited	-	1,373,231,727	4.99	A Share without selling restrictions	-	-	Domestic Non state- owned Legal Person
Shandong International Trust Co., Ltd.	+506,028,231	1,098,595,434	4.00	A Share without selling restrictions	-	-	State-owned Legal Person
Zhejiang Provincial Energy Group Co., Ltd.	-	1,093,531,078	3.98	A Share without selling restrictions	-	-	State-owned Legal Person
Xintai Life Insurance Co., Ltd. - self owned capital	-	996,325,468	3.63	A Share without selling restrictions	-	-	State-owned Legal Person
Taiping Life Insurance Co., Ltd.	-	921,538,465	3.36	A Share without selling restrictions	-	-	State-owned Legal Person
Minsheng Life Insurance Co., Ltd. - self owned capital	-90,000,060	678,593,787	2.47	A Share without selling restrictions	-	-	Domestic Non state- owned Legal Person
Zhejiang Hengyi High-tech Materials Co., Ltd.	-	660,490,068	2.40	A Share without selling restrictions	pledged	508,069,283	Domestic Non state- owned Legal Person
Zhejiang Hengyi Group Co., Ltd.	-	643,052,319	2.34	A Share without selling restrictions	pledged	643,052,319	Domestic Non state- owned Legal Person

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Notes:

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

III. PLEDGE AND FREEZING OF ORDINARY SHARES

As at the end of the reporting period, to the best knowledge of the Company, 2,241,053,446 shares of the Company (representing 8.16% of the total ordinary shares in issue) were pledged, and 29,657,253 shares were subject to judicial freezing (including judicial tagging).

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

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

As of June 30, 2026, in accordance with the register kept by the Company under section 336 of the SFO and so far as the Company is aware, the following persons (excluding the Company's Directors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held 5% or more of any class of share capital of the Company:

Name of shareholders	Nature of interests and capacity	Class	Long/short position	Number of shares (Shares)	Approximate percentage of interests (%)	Approximate percentage of the relevant class of shares (%)
Zhejiang Innovation Investment Group Co., Ltd.	Beneficial owner	A Share	Long position	3,452,076,906	12.57	16.02
Zhejiang Hengyi Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	A Share	Long position	1,615,542,387	5.88	7.50
Qiu Jianlin	Interest of controlled corporation	A Share	Long position	1,615,542,387	5.88	7.50
Hengdian Group Holdings Limited	Beneficial owner	A Share	Long position	1,373,231,727	4.99	6.37
Hengdian Association for Economics Corporation	Interest of controlled corporation	A Share	Long position	1,373,231,727	4.99	6.37
Shandong International Trust Co., Ltd.	Beneficial owner	A Share	Long position	1,098,595,434	4.00	5.10
Zhejiang Provincial Energy Group Co., Ltd.	Beneficial owner	A Share	Long position	1,093,531,078	3.98	5.08
Zhejiang Provincial Energy Group Co., Ltd.	Interest of controlled corporation	H Share	Long position	755,397,900	2.75	12.76
Zhejiang Energy Capital Holdings Co., Ltd.	Interest of controlled corporation	H Share	Long position	755,397,900	2.75	12.76
Zheneng Capital Investment (Hong Kong) Limited	Beneficial owner	H Share	Long position	475,322,900	1.73	8.03
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Beneficial owner and Interest of controlled corporation	H Share	Long position	1,379,300,000	5.02	23.30
Zhejiang Seaport (Hong Kong) Co., Limited	Beneficial owner	H Share	Long position	1,203,410,000	4.38	20.33
Zhejiang Seaport Asset Management Co., Limited	Interest of controlled corporation	H Share	Long position	1,203,410,000	4.38	20.33
Yancoal International (Holding) Company Limited	Beneficial owner	H Share	Long position	933,897,000	3.40	15.77
Yanzhou Coal Mining Company Limited	Interest of controlled corporation	H Share	Long position	933,897,000	3.40	15.77
Yankuang Group Company Limited	Interest of controlled corporation	H Share	Long position	933,897,000	3.40	15.77
Xintai Life Insurance Co., Ltd.	Beneficial owner	H Share	Long position	373,691,000	1.36	6.31
Minsheng Life Insurance Co., Ltd.	Beneficial owner	H Share	Long position	356,948,000	1.30	6.03
China Wanxiang Holding Co., Ltd.	Interest of controlled corporation	H Share	Long position	356,948,000	1.30	6.03
Aeon Life Insurance Co. Ltd.	Beneficial owner	H Share	Long position	349,611,600	1.27	5.91

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Save as disclosed above, the Company was unaware of any other person (excluding the Company's Directors and chief executive (as defined in the Hong Kong Listing Rules)) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short position as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO on June 30, 2026.

V. INFORMATION ON THE CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

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

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

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

Zhejiang Provincial Innovation Investment Group Co., Ltd. was established on September 6, 2012 with the uniform social credit code of 913300000542040763 and its legal representative was Yang Qiangmin. With a registered capital of RMB12.0 billion, it is registered in Hangzhou, Zhejiang Province. Focusing on the mission to build a first-class investment group and jointly cultivate a first-class innovation ecosystem, the Company is committed to developing a dual-driving framework underpinned by a RMB100 billion fund cluster and an innovation ecosystem. It strives to give full play to its three core functions of leveraging and leadership, innovation-sourced incubation, and investment empowerment. The Company is comprehensively making decisive efforts to combat eight major campaigns, namely capital aggregation, sci-tech incubation, industrial investment, financial facilitation, digital-intelligent empowerment, ecosystem development, integrated investment and research, and post-investment management, and is fully committed to supporting scientific, technological and industrial innovation in Zhejiang Province. The controlling shareholder and de facto controller of Zhejiang Provincial Innovation Investment Group Co., Ltd. is Zhejiang Provincial Department of Finance, which holds 100% equity interest in Zhejiang Provincial Innovation Investment Group Co., Ltd.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

VII. INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

As at June 30, 2026

Unit: Share, %

Name of Shareholder	Class of shares	Number of shares held (share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Other parties acting in concert	Ultimate beneficial owners
Zhejiang Provincial Innovation Investment Group Co., Ltd.	A Share	3,452,076,906	12.57	12.57	Holding 5% or more of the Bank's shares and dispatch Directors to the Bank	-	Zhejiang Provincial Department of Finance	Zhejiang Provincial Department of Finance	Nil	Zhejiang Provincial Innovation Investment Group Co., Ltd.
Zhejiang Provincial Energy Group Co., Ltd.	A Share	1,093,531,078	3.98	6.73	Holding 5% or more of the Bank's shares in total with the related parties and jointly dispatch Directors to the Bank	-	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Energy Group Co., Ltd.
Zheneng Capital Investment (Hong Kong) Limited	H Share	475,322,900	1.73			-	Zheneng Capital Holdings Limited			Zheneng Capital Holdings Limited
Zhejiang Energy International Co., Ltd.	H Share	280,075,000	1.02			-	Zhejiang Provincial Energy Group Co., Ltd.			Zhejiang Energy International Co., Ltd.
Zhejiang Hengyi High-tech Materials Co., Ltd.	A Share	660,490,068	2.40	5.88	Holding 5% or more of the Bank's shares in total with the related parties	508,069,283	Zhejiang Hengyi Petrochemical Co., Ltd.	Qiu Jianlin	Nil	Zhejiang Hengyi High-tech Materials Co., Ltd.
Zhejiang Hengyi Group Co., Ltd.	A Share	643,052,319	2.34			643,052,319	Hangzhou Wan Yong Industrial Investment Co., Ltd.			Zhejiang Hengyi Group Co., Ltd.
Zhejiang Hengyi Petrochemical Co., Ltd.	A Share	312,000,000	1.14			240,000,000	Hengyi Petrochemical Co., Ltd.			Zhejiang Hengyi Petrochemical Co., Ltd.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Name of Shareholder	Class of shares	Number of shares held (share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Other parties acting in concert	Ultimate beneficial owners
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	A Share	198,000,000	0.72	5.74	Holding 5% or more of the Bank's shares in total with the related parties	-	Ningbo Municipal People's Government State-owned Assets Supervision and Administration Commission	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
Zhejiang Seaport (Hong Kong) Co., Limited	H Share	1,203,410,000	4.38			-	Zhejiang Seaport Asset Management Co., Ltd.			Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	H Share	175,890,000	0.64			-	Ningbo Municipal People's Government State-owned Assets Supervision and Administration Commission			Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
Hengdian Group Holdings Limited	A Share	1,373,231,727	4.99	4.99	Dispatch Directors to the Bank	-	Dongyang Hengdian Association For Economics Corporation	Dongyang Hengdian Association For Economics Corporation	Nil	Hengdian Group Holdings Limited
Xintai Life Insurance Co., Ltd. - self owned capital	A Share	996,325,468	3.63	4.99	Dispatch Supervisors to the Bank over the past twelve months	-	Nil	Nil	Nil	Xintai Life Insurance Co., Ltd.
Xintai Life Insurance Co., Ltd.	H Share	373,691,000	1.36			-	Nil	Nil	Nil	
Zhejiang China Light & Textile Industrial City Group Co., Ltd.	A Share	587,298,906	2.14	3.57	Dispatch Supervisors to the Bank jointly with the related parties over the past twelve months	-	Shaoxing City Kejiao District Development and Operation Group Co., Ltd.	Shaoxing City Kejiao District People's Government	Nil	Zhejiang China Light & Textile Industrial City Group Co., Ltd.
Shaoxing City Kejiao District Development and Operation Group Co., Ltd.	A Share	393,891,313	1.43			-	Shaoxing Kejiao District State-owned Assets Investment Operation Co., Ltd.			Shaoxing City Kejiao District Development and Operation Group Co., Ltd.
Taiping Life Insurance Co., Ltd.	A Share	921,538,465	3.36	3.36	Dispatch Directors to the Bank	-	China Taiping Insurance Holdings Ltd.	Ministry of Finance of the People's Republic of China	Nil	Taiping Life Insurance Co., Ltd.

Note: As of August 10, 2026, Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. holds 271.00 million A Shares in the Company and holds 175.89 million H Shares in the Company. Zhejiang Seaport (Hong Kong) Co., Limited holds 1,203.41 million H Shares in the Company. For details, please refer to the "Indicative Announcement Regarding Changes in Shareholders' Equity Triggering the 1% Threshold of China Zheshang Bank Co., Ltd. 《浙商银行股份有限公司關於股東權益變動觸及1%刻度的提示性公告》" published by the Company on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in August 2026.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

VIII. ISSUANCE AND LISTING OF SECURITIES

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

IX. INFORMATION ABOUT PREFERENCE SHARES

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

X. INFORMATION ABOUT UNDATED CAPITAL BONDS

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

As considered and approved at the fifth meeting of the seventh session of the Board of the Company and the Company's 2025 first extraordinary general meeting and with the approval from the National Financial Regulatory Administration and the People's Bank of China, the Company successfully issued undated capital bonds with a total issue amount of RMB30.0 billion on August 5, 2026 in China's national inter-bank bond market. The coupon rate is 1.95% during the first five years and will be adjusted every five years. The Company shall be entitled to redeem the bonds, in total or in partial, on every distribution payment date since the fifth distribution payment date (inclusive). All the proceeds will be used to replenish the Company's additional tier 1 capital.

INFORMATION ON DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

I. BASIC INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

As of the disclosure date of this report, the Board of the Company comprised 12 Directors, including 3 executive Directors, namely Mr. Chen Haiqiang, Mr. Lyu Linhua and Ms. Ma Hong; 4 non-executive Directors, namely Mr. Hou Xingchuan, Mr. Ren Zhixiang, Mr. Hu Tiangao and Mr. Ying Yuxiang; and 5 independent non-executive Directors, namely Mr. Wang Wei, Mr. Xu Yongbin, Mr. Fu Tingmei, Mr. Shi Hao and Mr. Lou Weizhong.

As of the disclosure date of this report, the Company no longer maintains a Supervisory Committee. On June 4, 2026, the Company received the Reply of the National Financial Regulatory Administration on the Amendment to the Articles of Association of China Zheshang Bank (Jin Fu [2026] No. 305) 《國家金融監督管理總局關於浙商銀行修改公司章程的批覆》(金覆[2026]305號)). The revised Articles of Association of China Zheshang Bank Co., Ltd. has been approved by the National Financial Regulatory Administration and has taken effect. With effect from June 4, 2026, pursuant to the Company's Articles of Association, the Company no longer maintains a Supervisory Committee, and the Audit Committee of the Board of Directors assumes the functions and powers of the Supervisory Committee as prescribed by laws and regulations.

The Senior Management of the Company comprised 5 members, namely Mr. Lyu Linhua, Mr. Jing Feng, Mr. Luo Feng, Mr. Zhou Weixin and Mr. Pan Huafeng.

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

DIRECTORS

In February 2026, Mr. Chen Haiqiang was appointed as the Chairman of the Company upon approval of his qualification by the National Financial Regulatory Administration.

In April 2026, Mr. Lyu Linhua was appointed as a Director and the President of the Company upon approval of his qualification by the National Financial Regulatory Administration, and Mr. Lyu Linhua's appointment as the Chief Compliance Officer of the Company took effect simultaneously.

SENIOR MANAGEMENT

In June 2026, Mr. Zhou Weixin and Mr. Pan Huafeng were appointed as the Vice Presidents of the Company upon approval of their qualifications by the National Financial Regulatory Administration.

INFORMATION ON DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

III. CHANGE OF DIRECTORS

In February 2026, Mr. Lyu Linhua steps down from his concurrent role as the director of the Self-discipline Professional Committee of Zhejiang Association of Banks. In June 2026, Mr. Lyu Linhua also serves as the Vice Chairman of the Zhejiang Society of Finance.

In March 2026, Mr. Chen Haiqiang also serves as the Vice Chairman of the Zheshang General Association. In April 2026, Mr. Chen Haiqiang also serves as a member of the 8th Council of Zhejiang Association of Banks.

In May 2026, Mr. Ren Zhixiang has ceased to serve as the secretary of the Party Branch and Chairman of Zhejiang Zheneng Financial Leasing Co., Ltd. In June 2026, Mr. Ren Zhixiang has ceased to serve as the secretary of the Party Branch and Chairman of Shanghai Puneng Financial Leasing Co., Ltd.

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

Unit: Share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Changes in number of shares during the reporting period	Reasons for changes
Chen Haiqiang	Chairman, Executive Director	918,200	918,200	-	-
Ma Hong	Executive Director	180,970	180,970	-	-
Jing Feng	Vice President	909,000	909,000	-	-
Luo Feng	Vice President, Secretary to the Board	909,290	909,290	-	-
Zhou Weixin	Vice President	165,400	165,400	-	-
Pan Huafeng	Vice President, Chief Risk Officer	170,000	170,000	-	-
Total		3,252,860	3,252,860	-	-

Note: All shares held are A shares.

V. EMPLOYEES

As of the end of the reporting period, the Group had 24,886 employees (including dispatched employees, outsourced personnel and employees of the subsidiary of the Company), representing a decrease of 130 as compared with that at the end of last year. Divided by the position types, 10,568 employees of the Group were categorized as marketing personnel, 1,755 employees as counter personnel, and 12,563 employees as mid-office and back-office personnel; divided by the educational levels, 6,762 obtained post-graduate degree or above (including 109 with doctorate degree), 16,794 obtained bachelor degree, and 1,330 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 530 employees had retired from the Group.

INFORMATION ON DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

VI. EMPLOYEE REMUNERATION POLICY

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

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

VII. EMPLOYEES TRAINING

Guided by "strengthening the bank through talent cultivation" governance strategy, the Company integrates diverse models including political and Party spirit development and Party school training. It strengthened the training of serving officers and talent reserves, focusing on key groups such as sub-branch managers, team leaders, customer managers, product managers, and campus hires to implement tiered and categorized capability building, thereby enhancing the supporting role of training in developing the talent pool. During the reporting period, the Bank held 1,060 training programs in total.

INFORMATION ON DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

VIII. INFORMATION ON INSTITUTIONS

As of June 30, 2026, the information on the Bank's institutions is as follows:

Region	Name of institutions	Business address	Number of institutions	Number of employees	Total assets (RMB million)
Yangtze River Delta Region	Head office	No. 1, Minxin Road, Shangcheng District, Hangzhou, Zhejiang	1	5,067	1,200,634
	Small Enterprise Credit Center	No. 76, Huancheng West Road, Gongshu District, Hangzhou, Zhejiang	1	59	-
	Fund Operation Center	30/F & 31/F, No. 1, Lane 1500, Pudong Avenue, Pudong New Area, Shanghai	1	101	980,386
	Hangzhou Branch	No. 288, Qingchun Road, Gongshu District, Hangzhou, Zhejiang	64	3,102	489,866
	Shanghai Branch	501, 6-10/F, 23/F, 27-29/F, 32-33/F, 35-36/F, No. 1, Lane 1500, Pudong Avenue, and Room 101, 1/F, No. 1558 Pudong Avenue, Pudong New Area, Shanghai	16	1,107	222,317
	Nanjing Branch	No. 9, Zhongshan North Road, Nanjing	34	1,566	184,669
	Ningbo Branch	No. 128, Wenkang Road, No. 555, Yangfan Road, Gaoxin District, Ningbo	20	847	102,234
	Suzhou Branch	No. 5, Xingdun Lane, Industrial Park Zone, Suzhou	11	592	70,092
	Hefei Branch	Block A16, Financial Harbour Center, No. 4872, Huizhou Avenue, Binhu New District, Hefei	6	401	40,308
	Shaoxing Branch	No. 1418, Jinkeqiao Avenue, Keqiao District, Shaoxing	10	569	79,061
	Wenzhou Branch	Zheshang Bank Building, No. 388, Wanghai Road, Binjiang Street, Lucheng District, Wenzhou, Zhejiang	14	597	68,807
	Jinhua Branch	Floors 1-13 and 21-22, Unit 1, Building 9, Jinhua Information Economy Industrial Park, No. 1313 Liyu Road, Xiguan Subdistrict, Wucheng District, Jinhua, Zhejiang	11	464	49,840
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Street, Dinghai District, Zhoushan, Zhejiang	4	124	13,705
	Beijing Branch	Huajia Jinbao Complex, No. 269, Chaoyangmen South Street, Dongcheng District, Beijing	24	1,169	177,142
Bohai Rim Region	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	22	1,131	119,334
	Tianjin Branch	Overseas Chinese Building, Extension No. 1, No. 92, Nanjing Road, Heping District, Tianjin	13	477	36,344
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	6	336	28,108
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	Guangzhou Branch	No. 921, No. 933, Guangzhou South Avenue, Haizhu District, Guangzhou	18	1,040	105,740
	Shenzhen Branch	101 (including partial areas of Floors 1-2), Floors 3-10, 12 and 14-21, Tower A, Building 1, Zhongzhou Binhai Commercial Center, No. 9285 Binhe Avenue, Shangsha Community, Shatou Subdistrict, Futian District, Shenzhen	16	889	102,538
	Fuzhou Branch	Huawei Building, No. 169, Binxi Avenue, Nanjiang, Cangshan District, Fuzhou, Fujian	2	206	23,961

INFORMATION ON DIRECTORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

Region	Name of institutions	Business address	Number of institutions	Number of employees	Total assets (RMB million)
Midwestern China Region	Chengdu Branch	Building 1, Jinjiang Spring, No. 299, Yong'an Road, Jinjiang District, Chengdu	15	645	68,304
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	15	680	59,507
	Chongqing Branch	Block 3, No. 67, Middle Section of Huangshan Avenue, Yubei District, Chongqing	10	581	49,461
	Wuhan Branch	Zheshang Bank Building (Pacific Finance Plaza), No. 548, 550, 552, 556, Jianshe Avenue, Jiangnan District, Wuhan, Hubei	7	410	41,698
	Zhengzhou Branch	No. 8 Middle Ring Road, Finance Island, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone, Zhengzhou, Henan	9	440	42,676
	Changsha Branch	18-23/F, Block C1, G/F, 1/F (Unit 141-142), 2/F (Unit 248-249), Block C2, Fudi Binjiang Yuefu, No. 751, Section 3, Xiaoxiang North Road, Guanshaling Street, Hunan Xiangjiang New Area	7	362	34,919
	Nanchang Branch	1-2/F, 14-20/F, Block 35, Alpha X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	4	313	39,393
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	8	361	23,377
	Hohhot Branch	No. 8, Chilechuan Street, Saihan District, Hohhot	3	269	25,848
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	2	133	13,501
	Taiyuan Branch	Part of 1/F and 2-7/F, Block A, No. 163 Jinyang Street, Xiaodian District, Taiyuan, Shanxi	2	143	28,816
	Nanning Branch	20-21/F, Block A, China Resources Building, No. 136-1 Minzu Avenue, and No. B1028-1031, -1/F, 136-6 Xingfu Lane, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	1	144	15,014
Overseas Institution	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	1	116	71,726
Subsidiary	Zheyin Financial Leasing	No. 368, Yan'an Road, Gongshu District, Hangzhou, Zhejiang	1	283	94,916
	CZB Wealth Management	20-22/F, Block 2, Zhejiang Chamber of Commerce Building, No. 939, Minhe Road, Ningwei Street, Xiaoshan District, Hangzhou, Zhejiang	1	162	2,655
Offset balance and intra-group elimination					-1,011,097
Total			380	24,886	3,695,800

SIGNIFICANT EVENTS

I. PURCHASE AND SALE AND REDEMPTION OF SECURITIES

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

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

II. USE OF PROCEEDS

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

III. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company was involved in certain legal litigations/arbitrations in the ordinary course of business, most of which were filed by the Company for the purpose of recovering non-performing loans, and also included those arising out of customer disputes. For information regarding the case of financial loan contract dispute between the Company and Shenzhen Sensenhai Industrial Co., Ltd. (深圳市森森海實業有限公司), Wang Bang (汪幫), Shenzhen Gaoti Tiande Technology Co., Ltd. (深圳高題天德科技有限公司), and Li Jiantang (黎建棠), please refer to the Announcement of China Zheshang Bank Co., Ltd. on Litigation Matters (Announcement No.: 2025-022) and the Announcement on the Progress of China Zheshang Bank Co., Ltd. on Litigation Matters (Announcement No.: 2026-012) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

As of the end of the reporting period, there were 92 pending litigation/arbitration cases where the Company was a defendant or respondent (excluding enforcement objections and third-party cases), involving an amount of RMB155.8626 million, which are not expected to have a material adverse impact on the Company's business, financial position or operating results.

IV. MATERIAL CONNECTED TRANSACTIONS/RELATED PARTY TRANSACTIONS

(I) Connected Transactions Related to Daily Operations

The Company carried out the connected transactions in accordance with the relevant requirements of regulatory authorities at home and abroad, i.e. the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (《銀行保險機構關聯交易管理辦法》), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Self-regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 5 – Transaction and Related Party Transaction (《上海證券交易所上市公司自律監管指引第 5 號 – 交易與關聯交易》) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The connected transactions were conducted on normal commercial terms. The terms of transactions were fair and reasonable and in the benefits of the Company and the shareholders as a whole.

During the reporting period, at the eighth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Provincial Innovation Investment Group (《關於本行對浙江省創新投資集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB15.436 billion to Zhejiang Provincial Innovation Investment Group and related companies, of which RMB300 million was considered and approved at the meeting. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2026-011) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

SIGNIFICANT EVENTS

During the reporting period, at the eighth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Energy Group (《關於本行對浙江能源集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB12.1 billion to Zhejiang Energy Group and its related companies. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2026-011) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the eighth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Hengdian Group (《關於本行對橫店集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB5.67 billion to Hengdian Group and its related companies. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2026-011) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the eighth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Orient Securities Co., Ltd. (《關於本行對東方證券股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB8.0 billion to Orient Securities Co., Ltd. (東方證券股份有限公司). For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2026-011) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the eighth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Seaport Group (《關於本行對浙江海港集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB8.19 billion to Zhejiang Seaport Group and its related companies. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2026-011) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the eighth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Pre-approval Limit of Non-Credit-type Related Party Transactions of China Zheshang Bank Co., Ltd. for 2026 (《關於浙商銀行 2026 年度非授信類關聯交易預審批額度的議案》), approving the pre-approval limit of deposits and other non-credit-type related party transactions for 2026 formulated by the Company. For details, please refer to the Announcement on the Pre-approval Limit of Non-Credit-type Related Party Transactions of China Zheshang Bank Co., Ltd. for 2026 (Number: 2026-010) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

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

Details of related party transactions entered into by the Company as of June 30, 2026 are set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions".

SIGNIFICANT EVENTS

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

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

(III) Connected Transactions in relation to Joint External Investment

During the reporting period, the Company did not conduct any connected transaction in relation to joint external investment.

(IV) Connected Creditor's Rights and Liabilities

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

V. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Material custody, contracting and leasing

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

(II) Significant guarantees

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

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

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

VII. STOCK INCENTIVE PLAN

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

VIII. EMPLOYEE STOCK OWNERSHIP SCHEME

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

SIGNIFICANT EVENTS

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

As at June 30, 2026, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests or short positions which the Directors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Chen Haiqiang	Chairman, Executive Director	A Share	Long position	Beneficial Owner	918,200	0.0043	0.0033
Ma Hong	Executive Director	A Share	Long position	Beneficial Owner	180,970	0.0008	0.0007

X. DISCIPLINARY ACTIONS IMPOSED ON THE COMPANY OR ITS DIRECTORS, SENIOR MANAGEMENT AND SHAREHOLDERS HOLDING 5% OR MORE SHARES IN THE COMPANY

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

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

Nil.

XII. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

(I) Performance and Policies in relation to Environment

Green is the bedrock of high-quality development. China Zheshang Bank attached great importance to green finance development, continuously refined the green finance system, strengthened the full-process management of ESG risks in credit granting, earnestly advanced green finance as a major undertaking, and contributed to green transformation and the building of a Beautiful China.

SIGNIFICANT EVENTS

In terms of green finance, the Bank continued to strengthen policy guidance to direct financial resources towards green and low-carbon sectors. It enriched the Bank's "1+N" credit policy framework system, having cumulatively formulated special green finance policies for areas such as photovoltaics, wind power, hydropower, nuclear power, natural gas, power supply, power transmission and distribution equipment, sewage treatment and waste disposal. It innovated product and service offerings, building a diversified "Green+" product and service system covering green credit, green bonds, green bills, green leasing, green supply chain and green consumption, comprehensively meeting the differentiated financial needs of green industries and low-carbon transformation entities. As at the end of the reporting period, the Bank's green loans¹ balance was RMB249.535 billion, up 0.95%. From an industry perspective, the balance allocated to green upgrading of infrastructure accounted for 58.49%, the balance allocated to energy saving and carbon reduction industries accounted for 9.53%, the balance allocated to ecological conservation, restoration and utilization accounted for 7.15%, and the balance allocated to resource recycling industries accounted for 6.32%. The credit structure continued to improve.

In terms of green operation, the Bank actively promoted its own green and low-carbon transformation. It continuously deepened the electronization of seals and vouchers, built the "Zhe e-Service" (浙e办) remote operation service system to reduce customers' travel-related carbon footprint, and advanced the in-depth implementation of energy-saving operation plans for office premises. It gave priority to purchasing energy-saving and environmentally friendly products, regularly conducted carbon inventory checks, promoted paperless office practices, encouraged green commuting among employees, and continued to improve the eco-efficiency of operations. During the reporting period, the Bank did not violate any environmental regulation.

(II) Support for Rural Revitalization

China Zheshang Bank actively responded to the rural revitalization strategy, and constantly explored new models of financial services for rural revitalization. It included industries related to rural revitalization among its priority-supported industries, and guided the increase of credit support for rural revitalization industries. As at the end of the reporting period, the Bank's balance of agriculture-related loans was RMB175.220 billion; the inclusive agriculture-related loans were RMB42.126 billion. It solidly advanced paired assistance under the Zhejiang-Sichuan east-west collaboration, helping cultivate characteristic industries and improve local livelihoods; further promoted the education assistance of "one bank for one school", and provided paired assistance to 34 schools in mountainous and island counties of Zhejiang, as well as in Guizhou, Sichuan and Gansu. It organized special activities such as short-term teaching support by employees and eye care and dental care campaigns, comprehensively improving the campus environment, teaching quality and students' mental outlook, benefiting over ten thousand students.

Note 1 Green credit data was retrospectively adjusted at the beginning of 2026 in accordance with the People's Bank of China's requirements on green credit balance carry-over.

SIGNIFICANT EVENTS

(III) Protection of Consumer Rights

During the reporting period, the Bank attached great importance to the protection of consumer rights, adhered to a customer-centric approach, and committed to enhancing customer experience and service quality and efficiency. It promoted the full integration of consumer protection culture and philosophy into corporate culture and strategic planning, and convened multiple thematic work meetings to reinforce the principal responsibility for consumer protection management; intensified the pre-emptive risk prevention and control of consumer protection reviews, conducting reviews on over 880 items, fully covering policies and systems, notices and announcements, and marketing materials related to products and services; optimized the complaint management mechanism, strengthened the development of supporting mechanisms for diversified dispute resolution, and handled complaints in a timely and appropriate manner; organized 5,332 online and offline education and publicity activities such as “3•15”, “5•15”, and “Financial Knowledge Popularization Month”, and also leveraged the “Wuyue Cup” to innovatively carry out “sports + consumer protection” financial education and publicity, reaching nearly one million people offline and 33 million people through live streaming.

For more information about social responsibility and sustainable development of the Bank, please refer to the 2025 Sustainable Development Report of CZBank and the Company Overview – Social Responsibility section on the official website of the Company (www.czbk.com).

XIII. REVIEW OF THE INTERIM RESULTS

The 2026 interim report of the Company prepared under the China Accounting Standards and the International Financial Reporting Standards has been reviewed by KPMG Huazhen LLP and KPMG in accordance with China Standards on Review Engagements and International Standard on Review Engagements, respectively.

The Board of Directors and the Audit Committee of the Board of Directors of the Company have reviewed and approved the results and financial report of the Company for the period ended June 30, 2026.

XIV. PUBLISHING THE INTERIM REPORT

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

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

XV. EVENTS AFTER THE PERIOD

On August 31, 2026, the Company received the “Approval from the National Financial Regulatory Administration of Qualification of Mr. Yang Zhaohui as Director of China Zheshang Bank” (Jin Fu [2026] No. 486) and the “Approval from the National Financial Regulatory Administration of Qualification of Mr. Zheng Xingang as Director of China Zheshang Bank” (Jin Fu [2026] No. 484). According to relevant regulations, the National Financial Regulatory Administration has approved the qualifications of Mr. Yang Zhaohui and Mr. Zheng Xingang as Directors. For details, please refer to the relevant announcements published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company respectively.

REVIEW REPORT



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

INTRODUCTION

We have reviewed the interim financial report, which comprise the condensed consolidated statement of financial position of China Zheshang Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") as of 30 June 2026 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and the IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in accordance with IAS 34, *Interim Financial Reporting*.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2026 is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

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

26 August 2026

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026 (Unaudited)
(In RMB millions, unless otherwise stated)

		The six months ended 30 June	
	Notes	2026 (Unaudited)	2025 (Unaudited)
Interest income		48,413	52,652
Interest expense		(26,061)	(29,606)
NET INTEREST INCOME	III.1	22,352	23,046
Fee and commission income		5,030	3,108
Fee and commission expense		(2,473)	(815)
NET FEE AND COMMISSION INCOME	III.2	2,557	2,293
Net trading gains	III.3	2,919	2,514
Net gains on financial investments	III.4	4,279	4,363
Other operating income	III.5	1,409	1,049
OPERATING INCOME		33,516	33,265
Operating expenses	III.6	(10,376)	(10,270)
Expected credit losses	III.7	(13,013)	(13,300)
Impairment losses on other assets		(80)	–
PROFIT BEFORE TAXATION		10,047	9,695
Income tax expense	III.8	(1,897)	(1,723)
PROFIT FOR THE PERIOD		8,150	7,972
Attributable to:			
Shareholders of the Bank		7,824	7,667
Non-controlling interests		326	305

The notes on pages 96 to 221 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2026 (Unaudited)
(In RMB millions, unless otherwise stated)

	Notes	The six months ended 30 June	
		2026 (Unaudited)	2025 (Unaudited)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial investments designated to be measured at fair value through other comprehensive income		10	13
Items that may be reclassified to profit or loss:			
Changes in the fair value of financial assets measured at fair value through other comprehensive income		151	(1,411)
Allowance for ECLs of financial assets measured at fair value through other comprehensive income		(172)	(306)
Exchange difference from the translation of foreign operations		(431)	(345)
Other comprehensive income, net of tax		(442)	(2,049)
Total comprehensive income		7,708	5,923
Total comprehensive income attributable to:			
Shareholders of the Bank		7,385	5,619
Non-controlling interests		323	304
Earnings per share attributable to ordinary shareholders of the Bank:	III.9		
Basic (RMB yuan)		0.28	0.28
Diluted (RMB yuan)		0.28	0.28

The notes on pages 96 to 221 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026 (Unaudited)
(In RMB millions, unless otherwise stated)

	Notes	30 June 2026 (Unaudited)	31 December 2025 (Audited)
ASSETS			
Cash and balances with the central bank	III.10	174,395	125,704
Precious metals		114,593	80,929
Deposits with banks and other financial institutions	III.11	40,364	73,583
Placements with banks and other financial institutions	III.12	9,264	5,952
Derivative financial assets	III.13	22,160	27,551
Financial assets purchased under resale agreements	III.14	165,747	90,599
Loans and advances to customers	III.15	1,968,457	1,883,237
Financial investments	III.16		
– Financial assets measured at fair value through profit or loss		255,382	229,795
– Financial assets measured at amortised cost		487,879	454,851
– Financial assets measured at fair value through other comprehensive income		312,792	366,861
Fixed assets	III.18	38,000	36,604
Right-of-use assets	III.19	3,986	4,209
Intangible assets	III.20	1,035	1,021
Deferred tax assets	III.21	21,429	21,667
Other assets	III.22	80,317	78,529
TOTAL ASSETS		3,695,800	3,481,092
LIABILITIES			
Due to the central bank	III.24	39,614	102,206
Deposits from banks and other financial institutions	III.25	400,643	344,374
Placements from banks and other financial institutions	III.26	113,572	117,459
Financial liabilities at fair value through profit or loss	III.27	163,867	55,960
Derivative financial liabilities	III.13	31,558	20,769
Financial assets sold under repurchase agreements	III.28	59,312	53,209
Customer deposits	III.29	2,177,297	2,043,466
Employee benefits payable	III.30	4,708	5,996
Taxes payable	III.31	487	1,912
Provisions	III.32	1,051	884
Debt securities issued	III.33	474,003	512,953
Lease liabilities	III.19	2,518	2,691
Other liabilities	III.34	15,725	11,878
TOTAL LIABILITIES		3,484,355	3,273,757

The notes on pages 96 to 221 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2026 (Unaudited)
(In RMB millions, unless otherwise stated)

	Notes	30 June 2026 (Unaudited)	31 December 2025 (Audited)
EQUITY			
Share capital	III.35	27,464	27,464
Other equity instruments	III.36	24,995	24,995
– Perpetual bond		24,995	24,995
Capital reserve	III.37	38,570	38,570
Other comprehensive income	III.38	2,189	2,628
Surplus reserve	III.39	15,231	15,231
Statutory general reserve	III.40	39,494	37,919
Retained earnings	III.41	58,712	56,061
Total equity attributable to shareholders of the Bank		206,655	202,868
Non-controlling interests		4,790	4,467
TOTAL EQUITY		211,445	207,335
TOTAL LIABILITIES AND EQUITY		3,695,800	3,481,092

The interim financial report were approved by the board of directors on 26 August 2026:

Chen Haiqiang
Chairman

Lyu Linhua
President

Jing Feng
*Principal in-charge
of Finance*

Zhang Jian
*Director of the
Financial Department*

The notes on pages 96 to 221 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026 (Unaudited)
(In RMB millions, unless otherwise stated)

	Notes	Attributable to shareholders of the Bank								Non-Controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings	Subtotal		
Balance at 1 January 2026		27,464	24,995	38,570	2,628	15,231	37,919	56,061	202,868	4,467	207,335
Changes in equity for the period											
1. Total comprehensive income											
– Profit for the period		–	–	–	–	–	–	7,824	7,824	326	8,150
– Other comprehensive income		–	–	–	(439)	–	–	–	(439)	(3)	(442)
2. Appropriation of profits											
– Appropriation to statutory general reserve	III.40	–	–	–	–	–	1,575	(1,575)	–	–	–
– Distributions to ordinary shareholders	III.41(1)	–	–	–	–	–	–	(3,598)	(3,598)	–	(3,598)
Balance at 30 June 2026		27,464	24,995	38,570	2,189	15,231	39,494	58,712	206,655	4,790	211,445

The notes on pages 96 to 221 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

The notes on pages 96 to 221 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Notes	Attributable to equity holders of the Bank								Non-Controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings	Subtotal		
Balance at 1 January 2025		27,464	24,995	38,570	6,347	14,012	35,119	52,396	198,903	3,840	202,743
Changes in equity for the year											
1. Total comprehensive income											
– Profit for the year		–	–	–	–	–	–	12,931	12,931	630	13,561
– Other comprehensive income		–	–	–	(3,719)	–	–	–	(3,719)	(3)	(3,722)
2. Appropriation of profits											
– Appropriation to surplus reserve	III.39	–	–	–	–	1,219	–	(1,219)	–	–	–
– Appropriation to statutory general reserve	III.40	–	–	–	–	–	2,800	(2,800)	–	–	–
– Distributions to ordinary shareholders	III.41(1)	–	–	–	–	–	–	(4,284)	(4,284)	–	(4,284)
– Distributions to perpetual bond holders	III.41(2)	–	–	–	–	–	–	(963)	(963)	–	(963)
Balance at 31 December 2025		27,464	24,995	38,570	2,628	15,231	37,919	56,061	202,868	4,467	207,335

The notes on pages 96 to 221 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2026 (Unaudited)
(In RMB millions, unless otherwise stated)

		For the six months ended 30 June	
	Note	2026 (Unaudited)	2025 (Unaudited)
Cash flows from operating activities:			
Profit before taxation		10,047	9,695
Adjustments for:			
– Expected credit losses		13,013	13,300
– Other assets impairment losses		80	–
– Depreciation and amortisation		1,655	1,337
– Interest income from financial investments		(10,294)	(10,923)
– Net investment income		(4,430)	(6,031)
– Net (gains)/losses from changes in fair value		(1,697)	615
– Net foreign exchange losses/(gains)		44	(154)
– Net losses on disposal of fixed assets		2	–
– Interest expense on debt securities issued		5,099	6,042
– Interest expense on lease liabilities		45	51
– Deferred tax expense		242	(588)
Net changes in operating assets and operating liabilities:			
Net (increase)/decrease in balances with the central bank		(2,443)	1,906
Net decrease/(increase) in deposits with banks and other financial institutions		29,472	(6,692)
Net (increase)/decrease in placements with banks and other financial institutions		(1,382)	898
Net (increase)/decrease in financial assets purchased under resale agreements		(499)	1,496
Net increase in loans and advances to customers		(99,433)	(44,498)
Net increase in financial assets held for trading		(22,115)	(40,763)
Net decrease in other operating assets		3,116	7,305
Net decrease in due to the central bank		(62,670)	(5,696)
Net increase/(decrease) in deposits from banks and other financial institutions		55,513	(87,414)
Net increase/(decrease) in placements from banks and other financial institutions		3,154	(2,160)
Net increase/(decrease) in financial assets sold under repurchase agreements		6,085	(9,486)
Net increase in customer deposits		138,115	140,834
Net increase/(decrease) in other operating liabilities		63,977	(10,392)
Net cash flows generated from/(used in) operating activities before taxation		124,696	(41,318)
Income tax paid		(2,374)	(2,024)
Net cash generated from/(used in) operating activities		122,322	(43,342)

The notes on pages 96 to 221 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2026 (Unaudited)
(In RMB millions, unless otherwise stated)

		For the six months ended 30 June	
	Note	2026 (Unaudited)	2025 (Unaudited)
Cash flows from investing activities:			
Proceeds from disposal of fixed assets		38	35
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(2,658)	(6,750)
Investment returns received		18,424	17,048
Proceeds from disposal of investments		1,279,615	1,266,439
Payment for acquisition of investments		(1,250,874)	(1,218,633)
Net cash generated from investing activities		44,545	58,139
Cash flows from financing activities:			
Proceeds from issuance of debt securities		152,366	249,634
Repayments of principal on debt securities issued		(190,737)	(280,599)
Repayments of interest on debt securities issued		(5,678)	(6,109)
Payment for dividend distribution		(2,822)	(3,361)
Repayments of principal element of lease liabilities		(330)	(364)
Repayments of interest element of lease liabilities		(45)	(51)
Net cash used in financing activities		(47,246)	(40,850)
Effect of exchange rate changes on cash and cash equivalents		(487)	(217)
Net increase/(decrease) in cash and cash equivalents		119,134	(26,270)
Cash and cash equivalents at the beginning of the period		133,463	133,635
Cash and cash equivalents at the end of the period	III.42	252,597	107,365
Net cash flows from operating activities include:			
Interest received		37,350	41,103
Interest paid		(24,464)	(20,795)

The notes on pages 96 to 221 form part of this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

I GENERAL INFORMATION

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

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

At 30 June 2026, the Bank has established 377 branches in 22 provinces (autonomous regions or municipalities) and Hong Kong in China, including 72 branches (30 of them are tier-one branches), 2 branch-level specialized institution and 303 sub-branches. The principal activities of the Bank include corporate and retail banking, treasury business, and other banking service.

Zhejiang Zheyin Financial Leasing Co., Ltd. (“Zheyin Financial Leasing”) was established on 18 January 2017. At 30 June 2026, the registered capital of Zheyin Financial Leasing is RMB4 billion. Since the Bank has control over Zheyin Financial Leasing, the Bank has included it in the scope of the consolidated financial statements.

Zheyin Wealth Management Co., Ltd. (“Zheyin Wealth Management”) was established on 27 January 2025. At 30 June 2026, the registered capital of Zheyin Wealth Management is RMB2 billion. Since the Bank has control over Zheyin Wealth Management, the Bank has included it in the scope of the consolidated financial statements.

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

II BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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

The interim financial report has been prepared in accordance with IAS 34, *Interim Financial Reporting*, and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and do not include all information and disclosures disclosed in the annual financial statements. The interim financial report should be read in conjunction with the Group’s last annual consolidated financial statements at and for the year ended 31 December 2025.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

II BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2025 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2025.

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

The following IFRS Accounting Standards and amendments issued by the IASB take effect for the current accounting period beginning on or after 1 January 2026:

- Amendments to IFRS 9 and IFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to IFRS Accounting Standards, *Annual Improvements to IFRS Accounting Standards – Volume 11*

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

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

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net Interest Income

	For the six months ended 30 June	
	2026	2025
Interest income:		
Loans and advances to customers		
– Corporate loans and advances	24,540	25,825
– Personal loans and advances	8,493	10,523
– Discounted bills	1,094	1,263
Financial investments		
– Financial assets measured at amortised cost (“AC”)	5,439	5,889
– Financial assets measured at fair value through other comprehensive income (“FVOCI”)	4,855	5,034
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	1,442	1,568
Balances with the central bank	878	876
Finance lease receivables	1,672	1,674
Total	48,413	52,652
Interest expense:		
Customer deposits		
– Corporate customers	(12,068)	(14,483)
– Personal customers	(3,672)	(3,481)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(4,781)	(4,641)
Debt securities issued	(5,099)	(6,042)
Due to the central bank	(441)	(908)
Others	–	(51)
Total	(26,061)	(29,606)
Net interest income	22,352	23,046

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

2 Net Fee and Commission Income

	For the six months ended 30 June	
	2026	2025
Fee and commission income:		
Agency and entrustment service	3,288	1,345
Settlement and clearing business	568	378
Commitment and guarantee service	407	485
Custodian and other fiduciary service	375	366
Underwriting and consultation service	240	393
Fees from bank cards	114	85
Others	38	56
Total	5,030	3,108
Fee and commission expense	(2,473)	(815)
Net fee and commission income	2,557	2,293

3 Net Trading Gains

	For the six months ended 30 June	
	2026	2025
Net gains arising from financial instruments measured at FVTPL	3,177	1,449
Exchange gains and related derivatives	55	979
Precious metals and related derivatives	13	359
Other derivatives and hedged items	(326)	(273)
Total	2,919	2,514

4 Net Gains on Financial Investments

	For the six months ended 30 June	
	2026	2025
Net gains arising from financial assets measured at FVOCI	2,620	2,769
Net gains arising from financial assets measured at AC	1,621	1,637
Other investment gains/(losses)	38	(43)
Total	4,279	4,363

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

5 Other Operating Income

	For the six months ended 30 June	
	2026	2025
Operating lease income	992	880
Government grants	59	75
Other miscellaneous income	358	94
Total	1,409	1,049

6 Operating Expense

		For the six months ended 30 June	
	Notes	2026	2025
Staff costs	(1)	6,110	6,324
General and administrative expenses		2,172	2,018
Depreciation and amortisation		1,022	1,016
Taxes and surcharges		576	367
Operating lease expenses		459	364
Donations		5	31
Others	(2)	32	150
Total		10,376	10,270

(1) Staff costs

	For the six months ended 30 June	
	2026	2025
Salaries, bonuses and allowances	4,396	4,665
Other social insurance and benefit costs	463	483
Housing funds	359	329
Pension costs – defined contribution plans	798	743
Labor union fee and staff education fee	94	104
Total	6,110	6,324

(2) During reporting period, the expense relating to short-term leases and leases of low-value assets which were simplified processed by the Group are not significant.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

7 Expected Credit Losses (“ECL”s)

	For the six months ended 30 June	
	2026	2025
Deposits with banks and other financial institutions	(3)	1
Placements with banks and other financial institutions	5	(3)
Financial assets purchased under resale agreements	(17)	(11)
Loans and advances to customers		
– measured at AC	14,508	10,476
– measured at FVOCI	(51)	303
Financial investments		
– measured at AC	(2,126)	1,708
– measured at FVOCI	1	95
Finance lease receivables	392	449
Other assets	135	249
Off-balance sheet items	169	33
Total	13,013	13,300

8 Income Tax Expense

		For the six months ended 30 June	
	Note	2026	2025
Current income tax expense		1,655	2,311
Deferred tax expense	III.21(2)	242	(588)
Total		1,897	1,723

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group in accordance with PRC income tax regulations.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Income Tax Expense (Continued)

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the statutory tax rate to profit before taxation can be reconciled as follows:

	Notes	For the six months ended 30 June	
		2026	2025
Profit before taxation		10,047	9,695
Tax calculated at statutory tax rate		2,512	2,424
Effects of non-taxable income	(1)	(1,033)	(1,626)
Effects of non-deductible expenses	(2)	418	925
Income tax expense		1,897	1,723

(1) The non-taxable income mainly represents interest income arising from treasury bonds and municipal government bonds, and dividend income arising from fund investments, which are income tax free in accordance with the PRC tax regulations.

(2) The non-deductible expenses mainly include the non-deductible write-off losses assessed and confirmed item by item, and certain expenses, which are not deductible before taxation according to PRC tax regulations.

9 Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding. During reporting period, the Group possesses no share with potential dilution effect hence there's no difference between basic and diluted earnings per share.

	For the six months ended 30 June	
	2026	2025
Consolidated net profit attributable to shareholders of the Bank	7,824	7,667
Less: Net profit attributable to other equity instruments holders of the Bank	—	—
Consolidated net profit attributable to ordinary shareholders of the Bank	7,824	7,667
Weighted average number of ordinary shares (in millions of shares)	27,464	27,464
Basic and diluted earnings per share (RMB yuan/share)	0.28	0.28

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

10 Cash and Balances with the Central Bank

	Notes	30 June 2026	31 December 2025
Cash		767	869
Balances with the central bank			
– Statutory deposit reserves	(1)	112,453	108,579
– Surplus deposit reserves	(2)	59,142	12,790
– Foreign exchange risk reserves	(3)	482	3,410
– Fiscal deposits	(4)	1,499	2
Subtotal		173,576	124,781
Interest accrued		52	54
Total		174,395	125,704

- (1) The Group is required to place statutory deposit reserves with the People's Bank of China (the "PBOC"). These statutory deposit reserves cannot be used for the daily business operation of the Group. At the balance sheet date, rates for statutory deposit reserves were as follows:

	30 June 2026	31 December 2025
Statutory deposit reserves rate for deposits denominated in RMB	5.50%	5.50%
Statutory deposit reserves rate for deposits denominated in foreign currencies	4.00%	4.00%

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

- (2) Surplus deposit reserves includes the funds deposited in the People's Bank of China for the purpose of capital settlement and other non restrictive funds.
- (3) At 30 June 2026, the foreign exchange risk reserve ratio of the Bank is 0% (31 December 2025: 20%).
- (4) Financial deposits refer to the funds originated from financial institutions and deposited in the People's Bank of China according to regulations, which cannot be used for the daily business operation of the Group.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

11 Deposits with Banks and Other Financial Institutions

Analyzed by location and type of counterparties

	30 June 2026	31 December 2025
In Chinese Mainland		
– Banks	25,554	44,043
– Other financial institutions	10,364	26,766
Outside Chinese Mainland		
– Banks	4,338	2,550
– Other financial institutions	72	122
Interest accrued	36	105
Gross amount	40,364	73,586
Less: Allowance for ECLs (Note III.23)	–	(3)
Carrying amount	40,364	73,583

At 30 June 2026, the Group and the Bank deposited RMB10,399 million and RMB10,365 million respectively in margin funds with banks in the PRC with restriction in use, respectively (At 31 December 2025, amounting to RMB26,848 million and RMB26,767 million, respectively).

12 Placements with Banks and Other Financial Institutions

Analyzed by location and type of counterparties

	30 June 2026	31 December 2025
In Chinese Mainland		
– Banks	1,009	–
– Other financial institutions	2,130	877
Outside Chinese Mainland		
– Banks	2,717	1,572
– Other financial institutions	3,359	3,459
Interest accrued	63	53
Gross amount	9,278	5,961
Less: Allowance for ECLs (Note III.23)	(14)	(9)
Carrying amount	9,264	5,952

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

13 Derivative Financial Instruments and hedge accounting

The Group's derivative financial instruments include interest rate derivatives, currency derivatives, precious metal and other derivatives. At the balance sheet date, the derivative financial instruments held by the Group are set out below:

At 30 June 2026

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,459,551	4,113	(4,192)
Currency derivatives	1,320,036	11,513	(12,586)
Precious metal and other derivatives	224,384	6,534	(14,780)
Total	3,003,971	22,160	(31,558)
Derivatives designated as hedging Instruments:			
– Interest rate derivatives	5,400	–	–

At 31 December 2025

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,506,310	4,477	(4,525)
Currency derivatives	1,767,804	11,788	(12,017)
Precious metal and other derivatives	274,088	11,286	(4,227)
Total	3,548,202	27,551	(20,769)
Derivatives designated as hedging Instruments:			
– Interest rate derivatives	7,950	35	–

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

13 Derivative Financial Instruments and hedge accounting *(Continued)*

(1) Fair value hedges

The Group uses interest rate swap instruments to hedge against changes in the fair value of fixed-rate RMB bonds measured at AC.

By hedging its exposure to interest rate changes using derivative financial instruments, the Group also faces credit risk from derivative counterparties, which is not offset by the hedged items. The Group effectively controls the credit risk of derivative counterparties by transacting with counterparties with higher credit ratings.

Prior to adopting fair value hedge accounting, the Group assesses, through qualitative or quantitative analysis, whether there is an economic relationship between the hedged items and the hedging instruments. In evaluating the existence of an economic relationship, the Group assesses whether the changes in the fair value of the hedged items and the hedging instruments, resulting from the hedged risks, are similar. Further, the Group uses sensitivity analysis to assess the correlation between the changes in the values of the hedging instruments and the hedged items to support this qualitative assessment.

In these hedging relationships, the primary sources of hedge ineffectiveness are:

- The impact of counterparties on the fair value of interest rate swaps, including the influence of counterparties' credit risk and the Group's own credit risks on the fair value of interest rate swaps, which is not reflected in the fair value of the hedged items due to interest rate changes.
- The difference in maturity dates between the interest rate swaps and the bonds.

During the reporting period, gains and losses arising from the hedge ineffectiveness recognized in the net income from trading activities were not significant.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

14 Financial Assets Purchased Under Resale Agreements

(1) Analyzed by location and type of counterparties

	30 June 2026	31 December 2025
In Chinese Mainland		
– Banks	15,688	3,879
– Other financial institutions	150,044	86,714
Interest accrued	36	44
Gross amount	165,768	90,637
Less: Allowance for ECLs (Note III.23)	(21)	(38)
Carrying amount	165,747	90,599

(2) Analyzed by type of collateral

	30 June 2026	31 December 2025
Bills	5,597	626
Bonds		
– Financial bonds	134,398	66,949
– Government bonds	25,737	23,018
Interest accrued	36	44
Gross amount	165,768	90,637
Less: Allowance for ECLs (Note III.23)	(21)	(38)
Carrying amount	165,747	90,599

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

15 Loans and Advances to Customers

	30 June 2026	31 December 2025
Loans and advances to customers measured at AC	1,649,620	1,575,832
Loans and advances to customers measured at FVOCI	318,837	307,405
Total	1,968,457	1,883,237

(1) Analyzed by classification and nature

	Note	30 June 2026	31 December 2025
Loans and advances to customers measured at AC			
Corporate loans and advances		1,250,187	1,143,579
Personal loans and advances			
– Residential mortgage loans		187,521	186,339
– Personal business loans		144,013	157,823
– Personal consumer loans		100,020	118,357
Personal loans and advances		431,554	462,519
Loans and advances to customers measured at FVOCI			
Corporate loans and advances		186,579	187,880
Discounted bills	(a)	129,828	116,916
Personal loans and advances			
– Personal business loans		1,635	1,889
Subtotal		1,999,783	1,912,783
Fair value changes		783	706
Interest accrued		9,549	9,222
Gross amount		2,010,115	1,922,711
Less: Allowance for ECLs (Note III.23)		(41,658)	(39,474)
Carrying amount		1,968,457	1,883,237

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

15 Loans and Advances to Customers *(Continued)*

(2) Analyzed by type of collateral

	30 June 2026		31 December 2025	
	Amount	Proportion	Amount	Proportion
Unsecured loans	468,891	23.45%	432,182	22.59%
Guaranteed loans	570,908	28.55%	490,627	25.65%
Collateralized loans				
– Mortgage loans	763,805	38.19%	800,607	41.86%
– Pledged loans	66,351	3.32%	72,451	3.79%
Discounted bills	129,828	6.49%	116,916	6.11%
Subtotal	1,999,783	100.00%	1,912,783	100.00%
Fair value changes	783		706	
Interest accrued	9,549		9,222	
Gross amount	2,010,115		1,922,711	
Less: Allowance for ECLs (Note III.23)	(41,658)		(39,474)	
Carrying amount	1,968,457		1,883,237	

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

15 Loans and Advances to Customers *(Continued)*

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

	30 June 2026				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	1,582	3,656	3,487	215	8,940
Guaranteed loans	2,038	1,522	917	377	4,854
Collateralized loans					
– Mortgage loans	9,046	8,038	4,523	308	21,915
– Pledged loans	577	187	1,129	116	2,009
Total overdue loans	13,243	13,403	10,056	1,016	37,718

	31 December 2025				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	2,527	5,016	1,487	322	9,352
Guaranteed loans	850	1,188	1,595	370	4,003
Collateralized loans					
– Mortgage loans	6,912	8,269	3,991	453	19,625
– Pledged loans	95	1,396	92	150	1,733
Total overdue loans	10,384	15,869	7,165	1,295	34,713

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

15 Loans and Advances to Customers *(Continued)*

(4) Analyzed by assessment of allowance for ECLs

(a) Allowance for ECLs of loans and advances to customers measured at AC (interest accrued excluded)

	30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at AC				
– Corporate loans and advances	1,173,750	58,918	17,519	1,250,187
– Personal loans and advances	405,870	13,347	12,337	431,554
Gross amount	1,579,620	72,265	29,856	1,681,741
Less: Allowance for ECLs (Note III.23)	(9,877)	(13,232)	(18,549)	(41,658)
Carrying amount	1,569,743	59,033	11,307	1,640,083

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at AC				
– Corporate loans and advances	1,074,622	50,620	18,337	1,143,579
– Personal loans and advances	439,780	11,718	11,021	462,519
Gross amount	1,514,402	62,338	29,358	1,606,098
Less: Allowance for ECLs (Note III.23)	(10,430)	(11,601)	(17,443)	(39,474)
Carrying amount	1,503,972	50,737	11,915	1,566,624

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

15 Loans and Advances to Customers *(Continued)*

(4) Analyzed by assessment of allowance for ECLs (Continued)

(b) Allowance for ECLs of loans and advances to customers measured at FVOCI (fair value changes and interest accrued excluded)

	30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	186,266	244	69	186,579
– Discounted bills	129,761	54	13	129,828
– Personal loans and advances	919	351	365	1,635
Total	316,946	649	447	318,042
Allowance for ECLs (Note III.23)	(426)	(66)	(258)	(750)

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	187,537	113	230	187,880
– Discounted bills	116,886	17	13	116,916
– Personal loans and advances	1,195	335	359	1,889
Total	305,618	465	602	306,685
Allowance for ECLs (Note III.23)	(590)	(71)	(319)	(980)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

15 Loans and Advances to Customers *(Continued)*

(5) Movements of the allowance for ECLs of loans and advances to customers

(a) *Movements of the allowance for ECLs of loans and advances to customers measured at AC*

	For the six months ended 30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2026	10,430	11,601	17,443	39,474
Transfer				
– to Stage 1	777	(681)	(96)	–
– to Stage 2	(902)	1,000	(98)	–
– to Stage 3	(73)	(2,214)	2,287	–
(Reversal)/charge (Note III.7)	(351)	3,526	11,333	14,508
Write-off and transfer out	–	–	(13,074)	(13,074)
Recoveries of loans and advances previously written off	–	–	820	820
Other movements	(4)	–	(66)	(70)
Balance at 30 June 2026	9,877	13,232	18,549	41,658

	For the year ended 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	12,076	14,972	17,384	44,432
Transfer				
– to Stage 1	468	(444)	(24)	–
– to Stage 2	(476)	880	(404)	–
– to Stage 3	(351)	(5,028)	5,379	–
(Reversal)/charge	(1,256)	1,221	20,805	20,770
Write-off and transfer out	–	–	(27,812)	(27,812)
Recoveries of loans and advances previously written off	–	–	2,235	2,235
Other movements	(31)	–	(120)	(151)
Balance at 31 December 2025	10,430	11,601	17,443	39,474

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

15 Loans and Advances to Customers *(Continued)*

(5) Movements of the allowance for ECLs of loans and advances to customers (Continued)

(b) Movements of the allowance for ECLs of loans and advances to customers measured at FVOCI

	For the six months ended 30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2026	590	71	319	980
Transfer				
– to Stage 1	18	(9)	(9)	–
– to Stage 2	(3)	5	(2)	–
– to Stage 3	(1)	(13)	14	–
(Reversal)/charge (Note III.7)	(178)	12	115	(51)
Write-off and transfer out	–	–	(234)	(234)
Recoveries of loans and advances previously written off	–	–	55	55
Balance at 30 June 2026	426	66	258	750

	For the year ended 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	689	117	313	1,119
Transfer				
– to Stage 1	10	(9)	(1)	–
– to Stage 2	(5)	8	(3)	–
– to Stage 3	(12)	(77)	89	–
(Reversal)/charge	(92)	32	509	449
Write-off and transfer out	–	–	(627)	(627)
Recoveries of loans and advances previously written off	–	–	39	39
Balance at 31 December 2025	590	71	319	980

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

16 Financial Investments

		30 June 2026	31 December 2025
Financial investments measured at FVTPL	Notes 16.1	255,382	229,795
Financial investments measured at AC	16.2	487,879	454,851
Financial investments measured at FVOCI	16.3	312,792	366,861
Total		1,056,053	1,051,507

16.1 Financial investments measured at FVTPL

		30 June 2026	31 December 2025
Fund investments	Note (1)	133,444	136,837
Bond and ABS investments			
– Government bonds		9,274	4,837
– Financial bonds		19,576	20,129
– Interbank certificates of deposit		55,754	21,432
– Asset-backed securities (“ABS”)	(1)	31,997	41,571
– Other bonds		1,460	1,123
Trust schemes and asset management plans	(1)	2,112	1,477
Equity investments		1,309	2,032
Wealth management products		456	357
Total		255,382	229,795

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

16 Financial Investments *(Continued)*

16.1 Financial investments measured at FVTPL *(Continued)*

Analyzed by listing location:

	30 June 2026	31 December 2025
Fund investments		
– Listed outside Hong Kong	133,444	136,837
Bond and ABS investments		
– Listed in Hong Kong	1,306	978
– Listed outside Hong Kong	116,755	88,114
Trust schemes and asset management plans		
– Unlisted	2,112	1,477
Equity investments		
– Listed outside Hong Kong	1,096	1,778
– Unlisted	213	254
Wealth management products		
– Unlisted	456	357
Total	255,382	229,795

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

16 Financial Investments *(Continued)*

16.1 Financial investments measured at FVTPL *(Continued)*

Analyzed by type of issuers:

	30 June 2026	31 December 2025
Chinese Mainland issuers		
– Government	3,893	4,837
– Banking and other financial institutions	233,619	218,163
– Corporate entities	6,406	6,793
Issuers outside Chinese Mainland		
– Government	11,428	–
– Corporate entities	36	2
Total	255,382	229,795

16.2 Financial investments measured at AC

	Notes	30 June 2026	31 December 2025
Bond and ABS investments	(1)		
– Government bonds		226,510	240,356
– Financial bonds		182,283	134,199
– Debt financing plans		1,219	1,219
– Asset-backed securities (“ABS”)		4,031	164
– Other bonds		3,982	6,367
Trust schemes and asset management plans	(2)	83,187	89,972
Interest accrued		7,109	7,600
Gross amount		508,321	479,877
Less: Allowance for ECLs (Note III.23)		(20,442)	(25,026)
Carrying amount		487,879	454,851

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

16 Financial Investments *(Continued)*

16.2 Financial investments measured at AC *(Continued)*

Analyzed by listing location:

	30 June 2026	31 December 2025
Bond and ABS investments		
– Listed in Hong Kong	1,294	2,538
– Listed outside Hong Kong	409,079	378,047
– Unlisted	7,652	1,720
Trust schemes and asset management plans		
– Unlisted	83,187	89,972
Interest accrued	7,109	7,600
Total	508,321	479,877

Analyzed by type of issuers:

	30 June 2026	31 December 2025
Chinese Mainland issuers		
– Government	212,052	230,468
– Banking and other financial institutions	171,343	134,801
– Corporate entities	87,076	95,324
Issuers outside Chinese Mainland		
– Government	18,338	9,888
– Banking and other financial institutions	11,091	–
– Corporate entities	1,312	1,796
Interest accrued	7,109	7,600
Total	508,321	479,877

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

16 Financial Investments *(Continued)*

16.2 Financial investments measured at AC *(Continued)*

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

	30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Financial investments measured at AC	451,977	2,275	46,960	501,212
Less: Allowance for ECLs (Note III.23)	(516)	(527)	(19,399)	(20,442)
Carrying amount	451,461	1,748	27,561	480,770

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Financial investments measured at AC	419,076	3,253	49,948	472,277
Less: Allowance for ECLs (Note III.23)	(413)	(612)	(24,001)	(25,026)
Carrying amount	418,663	2,641	25,947	447,251

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

16 Financial Investments *(Continued)*

16.2 Financial investments measured at AC *(Continued)*

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

	For the six months ended 30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2026	413	612	24,001	25,026
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	(5)	5	–
Charge/(reversal) (Note III.7)	103	(80)	(2,149)	(2,126)
Write-off	–	–	(2,207)	(2,207)
Recoveries of financial investments				
previously written off	–	–	65	65
Other movements	–	–	(316)	(316)
Balance at 30 June 2026	516	527	19,399	20,442

	For the year ended 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	651	1,058	23,688	25,397
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	420	(420)	–
– to Stage 3	–	(626)	626	–
(Reversal)/charge	(237)	(240)	2,621	2,144
Write-off	–	–	(2,471)	(2,471)
Recoveries of financial investments				
previously written off	–	–	437	437
Other movements	(1)	–	(480)	(481)
Balance at 31 December 2025	413	612	24,001	25,026

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

16 Financial Investments *(Continued)*

16.3 Financial investments measured at FVOCI

	Notes	30 June 2026	31 December 2025
Bond and ABS investments			
– Government bonds		79,616	81,664
– Financial bonds		122,999	159,389
– Interbank certificates of deposit		10,499	17,118
– Asset-backed securities (“ABS”)		11,539	14,228
– Other bonds		83,507	88,840
Interest accrued		3,155	4,158
Subtotal		311,315	365,397
Financial investments designated to be measured at FVOCI			
Equity investments	(1)	1,477	1,464
Total		312,792	366,861

(1) Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For the six months ended 30 June 2026, the Group has not recognized dividend income on such equity investments (For the year ended 31 December 2025: RMB6 million).

Analyzed by listing location:

	30 June 2026	31 December 2025
Bond and ABS investments and other debt instruments		
– Listed in Hong Kong	31,731	33,225
– Listed outside Hong Kong	256,543	299,912
– Unlisted	19,886	28,102
Equity investments		
– Unlisted	1,477	1,464
Interest accrued	3,155	4,158
Total	312,792	366,861

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

16 Financial Investments *(Continued)*

16.3 Financial investments measured at FVOCI *(Continued)*

Analyzed by type of issuers:

	30 June 2026	31 December 2025
Chinese Mainland issuers		
– Government	61,584	67,068
– Banking and other financial institutions	101,204	143,598
– Corporate entities	61,034	68,337
Issuers outside Chinese Mainland		
– Government	21,562	18,694
– Banking and other financial institutions	33,195	37,260
– Corporate entities	29,581	26,282
Interest accrued	3,155	4,158
Subtotal	311,315	365,397
Equity investments	1,477	1,464
Total	312,792	366,861

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

	For the six months ended 30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Debt instruments measured at FVOCI	307,434	–	79	307,513
Allowance for ECLs (Note III.23)	(367)	–	(26)	(393)
	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Debt instruments measured at FVOCI	360,637	–	79	360,716
Allowance for ECLs (Note III.23)	(367)	–	(26)	(393)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

16 Financial Investments *(Continued)*

16.3 Financial investments measured at FVOCI *(Continued)*

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

	For the six months ended 30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2026	367	–	26	393
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
Charge/(reversal) (Note III.7)	5	–	(4)	1
Recoveries of financial investments	–	–	4	4
Other movements	(5)	–	–	(5)
Balance at 30 June 2026	367	–	26	393

	For the year ended 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	345	8	325	678
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	(8)	8	–
Charge	22	–	96	118
Write-off	–	–	(404)	(404)
Recoveries of financial investments	–	–	16	16
Other movements	–	–	(15)	(15)
Balance at 31 December 2025	367	–	26	393

17 Investment in Subsidiaries

The Bank

	30 June 2026	31 December 2025
Zheyin Financial Leasing	2,040	2,040
Zheyin Wealth Management	2,393	2,393
Total	4,433	4,433

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18 Fixed Assets

	Notes	30 June 2026	31 December 2025
Fixed assets	(1)	32,964	32,654
Construction in progress	(2)	5,036	3,950
Total		38,000	36,604

(1) Fixed assets

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2026	19,387	2,479	189	18,567	40,622
Additions	–	94	1	1,221	1,316
Transfers from construction in Progress	9	–	–	–	9
Disposals and other changes	–	(36)	(4)	(162)	(202)
At 30 June 2026	19,396	2,537	186	19,626	41,745
Less: Accumulated depreciation					
At 1 January 2026	(4,417)	(1,964)	(139)	(1,388)	(7,908)
Charge	(374)	(83)	(7)	(396)	(860)
Disposals and other changes	–	33	4	10	47
At 30 June 2026	(4,791)	(2,014)	(142)	(1,774)	(8,721)
Less: Depreciation reserves					
At 1 January 2026	–	–	–	(60)	(60)
Charge	–	–	–	–	–
At 30 June 2026	–	–	–	(60)	(60)
Carrying amount					
Balance at 30 June 2026	14,605	523	44	17,792	32,964
Balance at 1 January 2026	14,970	515	50	17,119	32,654

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

18 Fixed Assets *(Continued)*

(1) Fixed assets (Continued)

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2025	18,764	2,401	198	13,191	34,554
Additions	6	138	13	6,184	6,341
Transfers from construction in progress	617	–	–	–	617
Disposals and other changes	–	(60)	(22)	(808)	(890)
At 31 December 2025	19,387	2,479	189	18,567	40,622
Less: Accumulated depreciation					
At 1 January 2025	(3,681)	(1,846)	(140)	(809)	(6,476)
Charge	(736)	(176)	(19)	(690)	(1,621)
Disposals and other changes	–	58	20	111	189
At 31 December 2025	(4,417)	(1,964)	(139)	(1,388)	(7,908)
Less: Depreciation reserves					
At 1 January 2025	–	–	–	–	–
Charge	–	–	–	(60)	(60)
At 31 December 2025	–	–	–	(60)	(60)
Carrying amount					
Balance at 31 December 2025	14,970	515	50	17,119	32,654
Balance at 1 January 2025	15,083	555	58	12,382	28,078

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

At 30 June 2026, the Group's properties and buildings with a net value of RMB458 million (31 December 2025: RMB471 million) were still in progress of obtaining the legal titles.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

18 Fixed Assets *(Continued)*

(2) Construction in progress

	Construction in progress
Balance at 1 January 2026	3,950
Additions	1,101
Transfers to fixed assets	(9)
Transfers to long-term prepaid expenses	(6)
Balance at 30 June 2026	5,036
	Construction in progress
Balance at 1 January 2025	3,190
Additions for the year	1,520
Transfers to fixed assets	(617)
Transfers to long-term prepaid expenses	(143)
Balance at 31 December 2025	3,950

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

19 Lease

(1) Right-of-use assets

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2026	1,950	6,068	69	8,087
Additions	–	186	4	190
Reductions	–	(365)	(2)	(367)
At 30 June 2026	1,950	5,889	71	7,910
Less: Accumulated depreciation				
At 1 January 2026	(419)	(3,419)	(40)	(3,878)
Charge	(24)	(351)	(4)	(379)
Reductions	–	332	1	333
At 30 June 2026	(443)	(3,438)	(43)	(3,924)
Carrying amount				
Balance at 30 June 2026	1,507	2,451	28	3,986
Balance at 1 January 2026	1,531	2,649	29	4,209

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

19 Lease *(Continued)*

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

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2025	1,950	6,056	65	8,071
Additions	–	422	6	428
Reductions	–	(410)	(2)	(412)
At 31 December 2025	1,950	6,068	69	8,087
Less: Accumulated depreciation				
At 1 January 2025	(370)	(2,984)	(32)	(3,386)
Charge	(49)	(722)	(8)	(779)
Reductions	–	287	–	287
At 31 December 2025	(419)	(3,419)	(40)	(3,878)
Carrying amount				
Balance at 31 December 2025	1,531	2,649	29	4,209
Balance at 1 January 2025	1,580	3,072	33	4,685

At 30 June 2026, there is no land use rights held by the Group for which the title certificate has not been issued. (31 December 2025: Nil).

(2) Lease liabilities

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

	30 June 2026	31 December 2025
Within 1 year (inclusive)	690	771
1 – 2 years (inclusive)	525	561
2 – 3 years (inclusive)	455	445
3 – 4 years (inclusive)	383	385
4 – 5 years (inclusive)	301	319
Above 5 years	405	471
The total amount of undiscounted lease payments	2,759	2,952
Carrying amount of lease liabilities at the end of the period/year	2,518	2,691

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

20 Intangible Assets

	Computer software
Cost	
At 1 January 2026	1,795
Additions	87
Reductions	(4)
At 30 June 2026	1,878
Less: Accumulated amortisation	
At 1 January 2026	(774)
Charge	(72)
Reductions	3
At 30 June 2026	(843)
Carrying amount	
Balance at 30 June 2026	1,035
Balance at 1 January 2026	1,021
	Computer software
Cost	
At 1 January 2025	1,451
Additions	344
At 31 December 2025	1,795
Less: Accumulated amortisation	
At 1 January 2025	(640)
Charge	(134)
At 31 December 2025	(774)
Carrying amount	
Balance at 31 December 2025	1,021
Balance at 1 January 2025	811

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

21 Deferred Tax Assets and Liabilities

(1) Deferred tax assets and liabilities before offsetting

	30 June 2026		31 December 2025	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Allowance for ECLs and provisions	93,253	23,313	92,399	23,100
Employee benefits payable	2,999	750	2,883	721
Unrealized losses of financial instruments measured at FVTPL and precious metals	58	15	58	15
Unrealized losses of derivative financial instruments	7,838	1,959	–	–
Others	3,463	864	3,699	924
Deferred tax assets before offsetting	107,611	26,901	99,039	24,760
Depreciation of fixed assets	(455)	(114)	(468)	(117)
Unrealized gains of financial instruments measured at FVTPL and precious metals	(17,076)	(4,269)	(110)	(27)
Unrealized gains of financial investments measured at FVOCI	(1,884)	(471)	(1,668)	(417)
Unrealized gains of derivative financial instruments	–	–	(7,451)	(1,863)
Others	(2,471)	(618)	(2,674)	(669)
Deferred tax liabilities before offsetting	(21,886)	(5,472)	(12,371)	(3,093)
Net amount after offsetting	85,725	21,429	86,668	21,667

(2) Changes in deferred tax

	30 June 2026	31 December 2025
Balance at the beginning of the period/year	21,667	20,482
Charge to loss or profit	(242)	125
Charge to other comprehensive income	4	1,060
Balance at the end of the period/year	21,429	21,667

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

22 Other Assets

		30 June 2026	31 December 2025
Finance lease receivables	(1)	65,820	64,605
Settlement and clearing accounts		2,987	1,171
Long-term prepaid expenses	(2)	2,479	2,446
Deductible input Value Added Tax ("VAT")		1,696	1,789
Interest receivable		1,393	958
Non-financial repossessed assets	(3)	650	745
Prepayment		604	640
Continuing involvement assets (Note III.43 (1))		568	568
Fee receivables		545	538
Guaranteed deposits		313	2,182
Others		3,262	2,887
Total		80,317	78,529

(1) Finance lease receivables

		30 June 2026	31 December 2025
Finance lease receivables	Note (a)	9,253	9,164
Less: Unrecognized finance income		(1,648)	(1,584)
Balance of finance lease receivables		7,605	7,580
Finance leaseback receivables		60,048	58,776
Subtotal		67,653	66,356
Interest accrued		484	487
Less: Allowance for ECLs (Note III.23)		(2,317)	(2,238)
Carrying amount		65,820	64,605

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

22 Other Assets *(Continued)*

(1) Finance lease receivables (Continued)

The undiscounted finance lease receivables to be received by the Group in each of the five consecutive accounting years after the balance sheet date are as follows (interest accrued excluded):

	30 June 2026		31 December 2025	
	Amount	Proportion	Amount	Proportion
Within 1 year (inclusive)	2,449	26.47%	2,691	29.36%
1 – 2 years (inclusive)	1,606	17.35%	1,657	18.09%
2 – 3 years (inclusive)	977	10.56%	1,057	11.53%
3 – 4 years (inclusive)	679	7.34%	584	6.37%
4 – 5 years (inclusive)	653	7.06%	503	5.49%
Above 5 years	2,889	31.22%	2,672	29.16%
Total	9,253	100.00%	9,164	100.00%

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

	30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	63,932	2,805	916	67,653
Less: Allowance for ECLs (Note III.23)	(994)	(686)	(637)	(2,317)
Carrying amount	62,938	2,119	279	65,336

	31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	63,090	2,435	831	66,356
Less: Allowance for ECLs (Note III.23)	(1,054)	(576)	(608)	(2,238)
Carrying amount	62,036	1,859	223	64,118

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

22 Other Assets *(Continued)*

(1) Finance lease receivables *(Continued)*

Movements of the allowance for ECLs of finance lease receivables

	For the six months ended 30 June 2026			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2026	1,054	576	608	2,238
Transfer				
– to Stage 1	100	(100)	–	–
– to Stage 2	(78)	78	–	–
– to Stage 3	(1)	(35)	36	–
(Reversal)/Charge (Note III.7)	(81)	167	306	392
Write-off	–	–	(371)	(371)
Recoveries of finance lease receivables previously written off	–	–	58	58
Balance at 30 June 2026	994	686	637	2,317

	For the year ended 31 December 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	1,138	457	533	2,128
Transfer				
– to Stage 1	2	–	(2)	–
– to Stage 2	(37)	89	(52)	–
– to Stage 3	(7)	(99)	106	–
(Reversal)/charge	(42)	129	597	684
Write-off	–	–	(663)	(663)
Recoveries of finance lease receivables previously written off	–	–	89	89
Balance at 31 December 2025	1,054	576	608	2,238

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

22 Other Assets *(Continued)*

(2) Long-term prepaid expense

	30 June 2026	31 December 2025
Balance at the beginning of the period/year	2,446	1,435
Additions	371	1,419
Transfers from construction in progress	6	143
Less: Accumulated amortisation for the period/year	(344)	(551)
Balance at the end of the period/year	2,479	2,446

(3) Non-financial repossessed assets

	30 June 2026	31 December 2025
Properties and buildings	843	884
Others	83	122
Less: Impairment losses	(276)	(261)
Carrying amount	650	745

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

23 Impairment Allowance

	Notes	1 January 2026	(Reversal)/ charge	Write-off and transfer out	Others (Note (1))	30 June 2026
Deposits with banks and other financial institutions	III.11	3	(3)	–	–	–
Placements with banks and other financial institutions	III.12	9	5	–	–	14
Financial assets purchased under resale agreements	III.14	38	(17)	–	–	21
Loans and advances to customers	III.15					
– measured at AC		39,474	14,508	(13,074)	750	41,658
– measured at FVOCI		980	(51)	(234)	55	750
Financial investments	III.16					
– measured at AC		25,026	(2,126)	(2,207)	(251)	20,442
– measured at FVOCI		393	1	–	(1)	393
Finance lease receivables	III.22(1)	2,238	392	(371)	58	2,317
Fixed assets	III.18	60	–	–	–	60
Other assets		716	215	(173)	6	764
Off-balance sheet items	III.32	884	169	–	(2)	1,051
Total		69,821	13,093	(16,059)	615	67,470

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

23 Impairment Allowance *(Continued)*

	Notes	1 January 2025	Charge/ (reversal)	Write-off and Transfer out	Others (Note (1))	31 December 2025
Deposits with banks and other financial institutions	III.11	2	1	–	–	3
Placements with banks and other financial institutions	III.12	4	5	–	–	9
Financial assets purchased under resale agreements	III.14	22	16	–	–	38
Loans and advances to customers	III.15					
– measured at AC		44,432	20,770	(27,812)	2,084	39,474
– measured at FVOCI		1,119	449	(627)	39	980
Financial investments	III.16					
– measured at AC		25,397	2,144	(2,471)	(44)	25,026
– measured at FVOCI		678	118	(404)	1	393
Finance lease receivables	III.22(1)	2,128	684	(663)	89	2,238
Fixed assets	III.18	–	60	–	–	60
Other assets		607	328	(239)	20	716
Off-balance sheet items	III.32	1,094	(195)	(10)	(5)	884
Total		75,483	24,380	(32,226)	2,184	69,821

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

24 Due to the Central Bank

	30 June 2026	31 December 2025
Bonds sold under repurchase agreements with the Central Bank	35,280	98,668
Bills sold under repurchase agreements with the Central Bank	3,962	3,244
Interest accrued	372	294
Total	39,614	102,206

25 Deposits from Banks and Other Financial Institutions

Analyzed by location and type of counterparties

	30 June 2026	31 December 2025
In Chinese Mainland		
– Banks	30,330	18,311
– Other financial institutions	353,144	311,983
Outside Chinese Mainland		
– Banks	23	27
– Other financial institutions	15,004	12,667
Interest accrued	2,142	1,386
Total	400,643	344,374

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

26 Placements from Banks and Other Financial Institutions

Analyzed by accounting treatment, location and type of counterparties

	Note	30 June 2026	31 December 2025
Measured at amortised cost:			
In Chinese Mainland			
– Banks		84,978	89,042
– Other financial institutions		2,139	1,205
Outside Chinese Mainland			
– Banks		8,844	2,560
Interest accrued		477	536
Subtotal		96,438	93,343
Designated as at fair value through profit or loss:	(1)		
In Chinese Mainland			
– Banks		17,134	24,116
Subtotal		17,134	24,116
Total		113,572	117,459

- (1) There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities designated as at fair value through profit or loss arising from changes in credit risk were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

27 Financial Liabilities at Fair Value through Profit or Loss

	Notes	30 June 2026	31 December 2025
Financial liabilities designated as at fair value through profit or loss	(1)		
– Financial liabilities related to precious metals		139,929	40,422
– Others	(2)	14,952	13,823
Financial liabilities at fair value through profit or loss			
– Short positions of trading bonds		8,986	1,715
Total		163,867	55,960

- (1) The Group manages and evaluates the financial liability portfolio or financial assets and financial liability portfolio on the basis of fair value according to the enterprise risk management or investment strategy stated in the official written documents, and reports to key management personnel within the enterprise on this basis. There were no significant changes in the credit spread of the Group and therefore the amounts of changes in fair value of the financial liabilities designated as at fair value through profit or loss arising from changes in credit risk were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.
- (2) Others mainly represent shares held by other parties rather than the Group and liabilities of consolidated structured entities.

28 Financial Assets Sold Under Repurchase Agreements

Analyzed by type of collateral

	30 June 2026	31 December 2025
Bonds sold under repurchase agreements	59,287	53,202
Interest accrued	25	7
Total	59,312	53,209

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

29 Customer Deposits

	30 June 2026	31 December 2025
Demand deposits		
– Corporate customers	467,522	417,299
– Personal customers	85,280	74,934
Subtotal	552,802	492,233
Time deposits		
– Corporate customers	1,232,957	1,191,219
– Personal customers	356,671	320,838
Subtotal	1,589,628	1,512,057
Other deposits	1,994	2,019
Interest accrued	32,873	37,157
Total	2,177,297	2,043,466

Pledged deposits of customer deposits are listed as follows:

	30 June 2026	31 December 2025
Letters of credit and guarantee deposits	48,178	40,398
Acceptances deposits	19,994	39,389
Other pledged deposits	48,954	46,985
Total	117,126	126,772

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

30 Employee Benefits Payable

	1 January 2026	Accrual during the period	Payments during the period	30 June 2026
Salaries, bonuses and allowances	5,839	4,396	(5,628)	4,607
Staff welfare	–	224	(224)	–
Housing fund	–	359	(359)	–
Social insurance				
– Medical insurance	–	212	(212)	–
– Work-related injury insurance	–	6	(6)	–
– Maternity insurance	–	4	(4)	–
Commercial insurance	–	17	(17)	–
Labour union fee and staff education fee	157	94	(150)	101
Basic pension insurance	–	412	(412)	–
Unemployment insurance	–	14	(14)	–
Annuity	–	372	(372)	–
Total	5,996	6,110	(7,398)	4,708

	1 January 2025	Accrual during the year	Payments during the year	31 December 2025
Salaries, bonuses and allowances	6,162	9,346	(9,669)	5,839
Staff welfare	–	629	(629)	–
Housing fund	–	720	(720)	–
Social insurance				
– Medical insurance	–	393	(393)	–
– Work-related injury insurance	–	12	(12)	–
– Maternity insurance	–	14	(14)	–
Commercial insurance	–	155	(155)	–
Labour union fee and staff education fee	161	221	(225)	157
Basic pension insurance	–	786	(786)	–
Unemployment insurance	–	27	(27)	–
Annuity	–	745	(745)	–
Total	6,323	13,048	(13,375)	5,996

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

31 Taxes Payable

	30 June 2026	31 December 2025
Income tax payable	114	439
Value added tax ("VAT") payable	180	1,252
Others	193	221
Total	487	1,912

32 Provisions

	30 June 2026	31 December 2025
Allowance for ECLs of off-balance sheet items (Note III.23)	1,051	884

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

33 Debt Securities Issued

	Notes	30 June 2026	31 December 2025
Fixed-rate small and micro businesses financial bonds – 2026	(1)	–	10,000
Fixed-rate small and micro businesses financial bonds – 2026	(2)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2027	(3)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2027	(4)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2027	(5)	20,000	20,000
Fixed-rate small and micro businesses financial bonds – 2028	(6)	20,000	20,000
Fixed-rate small and micro businesses financial bonds – 2029	(7)	5,000	5,000
Fixed-rate financial bonds – 2026	(8)	30,000	30,000
Fixed-rate financial bonds – 2027	(9)	13,000	13,000
Fixed-rate financial bonds – 2028	(10)	15,000	15,000
Fixed-rate financial bonds – 2030	(11)	5,000	5,000
Fixed-rate green financial bonds – 2028	(12)	5,000	5,000
Fixed-rate science and technology innovation bonds – 2028	(13)	5,000	5,000
Fixed-rate offering – tier 2 capital bond – 2033	(14)	20,000	20,000
Fixed-rate offering – tier 2 capital bond – 2033	(15)	10,000	10,000
Fixed-rate offering – tier 2 capital bond – 2034	(16)	10,000	10,000
Fixed-rate financial bonds – 2027	(17)	1,500	1,500
Fixed-rate financial bonds – 2029	(18)	1,500	–
Fixed-rate financial bonds – 2029	(19)	2,000	–
Fixed-rate asset-backed plan – 2045	(20)	473	500
Certificate of deposit	(21)	1,857	–
Interbank certificates of deposit	(22)	271,570	305,274
Subtotal		471,900	510,274
Interest accrued		2,103	2,679
Total		474,003	512,953

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

33 Debt Securities Issued *(Continued)*

- (1) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 24 April 2023, with a maturity of 3 years and a fixed coupon rate of 2.80%. The bond matured on 26 April 2026.
- (2) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 3 November 2023, with a maturity of 3 years and a fixed coupon rate of 2.82%.
- (3) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 5 years and a fixed coupon rate of 2.85%.
- (4) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 15 March 2024, with a maturity of 3 years and a fixed coupon rate of 2.43%.
- (5) Fixed-rate small and micro businesses financial bonds of RMB20 billion was issued on 15 May 2024, with a maturity of 3 years and a fixed coupon rate of 2.23%.
- (6) Fixed-rate small and micro businesses financial bonds of RMB20 billion was issued on 3 April 2025, with a maturity of 3 years and a fixed coupon rate of 1.86%.
- (7) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 15 March 2024, with a maturity of 5 years and a fixed coupon rate of 2.53%.
- (8) Fixed-rate financial bonds of RMB30 billion was issued on 24 July 2023, with a maturity of 3 years and a fixed coupon rate of 2.62%.
- (9) Fixed-rate financial bonds of RMB13 billion was issued on 5 September 2024, with a maturity of 3 years and a fixed coupon rate of 2.01%.
- (10) Fixed-rate financial bonds of RMB15 billion was issued on 13 February 2025, with a maturity of 3 years and a fixed coupon rate of 1.75%.
- (11) Fixed-rate financial bonds of RMB5 billion was issued on 13 February 2025, with a maturity of 5 years and a fixed coupon rate of 1.81%.
- (12) Fixed-rate green financial bonds of RMB5 billion was issued on 8 May 2025, with a maturity of 3 years and a fixed coupon rate of 1.69%.
- (13) Fixed-rate science and technology innovation bonds of RMB5 billion was issued on 19 May 2025, with a maturity of 3 years and a fixed coupon rate of 1.66%.
- (14) Fixed-rate offering – tier 2 capital bonds of RMB20 billion were issued on 25 May 2023, with a maturity of 10 years and a fixed coupon rate of 3.47%. The Bank has an option to redeem the bond at its par value in 2028.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

33 Debt Securities Issued *(Continued)*

- (15) Fixed-rate offering – tier 2 capital bonds of RMB10 billion were issued on 23 November 2023, with a maturity of 10 years and a fixed coupon rate of 3.50%. The Bank has an option to redeem the bond at its par value in 2028.
- (16) Fixed-rate offering – tier 2 capital bonds of RMB10 billion were issued on 17 April 2024, with a maturity of 10 years and a fixed coupon rate of 2.54%. The Bank has an option to redeem the bond at its par value in 2029.
- (17) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.5 billion on 15 August 2024, with a maturity of 3 years and a fixed coupon rate of 2.09%.
- (18) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.5 billion on 21 January 2026, with a maturity of 3 years and a fixed coupon rate of 1.93%.
- (19) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB2 billion on 26 March 2026, with a maturity of 3 years and a fixed coupon rate of 1.76%.
- (20) Zheyin Financial Leasing established fixed rate asset-backed plan with lease receivables as the underlying assets on 26 December 2025. The plan was registered and custodied with China Insurance Asset Registration and trading System Co., Ltd. The asset-backed plan has a total issue size of RMB500 million, with interest paid quarterly and principal amortised on a pass-through basis. Zheyin Financial Leasing have the option to repurchase underlying assets in the asset pool in full upon the dates falling 3, 6, 9, 12, 15, 18 and 20 years from the establishment date of the asset-backed plan.
- (21) There were 6 unpaid certificates of deposit issued in RMB at Hong Kong Branch at 30 June 2026, which have total face value amounted RMB1,890 million with maturity less than one year. Four of the certificates of deposit were issued in USD with a face value amounted RMB1,357 million. One of the certificates of deposit were issued in HKD with a face value amounted RMB433 million. One of the certificates of deposit were issued in offshore RMB with a face value amounted RMB100 million (At 31 December 2025, there was no unpaid certificate of deposit issued at Hong Kong Branch).
- (22) At 30 June 2026, the Bank has issued a total of 109 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year (At 31 December 2025, the Bank has issued a total of 115 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year).

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

34 Other Liabilities

	30 June 2026	31 December 2025
Settlement and clearing accounts	6,214	3,563
Deposits related to finance lease	3,732	3,908
Deferred income	1,045	870
Dividends payable	794	18
Account payable	597	355
Continuing involvement liabilities (Note III.43 (1))	568	568
Others	2,775	2,596
Total	15,725	11,878

35 Share Capital

	30 June 2026	31 December 2025
Ordinary shares listed in Chinese Mainland (A share)	21,544	21,544
Ordinary shares listed outside Chinese Mainland (H share)	5,920	5,920
Total	27,464	27,464

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

36 Other Equity Instruments

	Note	30 June 2026	31 December 2025
Perpetual bonds	(1)	24,995	24,995

(1) Perpetual bonds

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

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

(b) Main terms of perpetual bonds

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

The Bank shall exercise the right of redemption subject to the approval of the original China Banking and Insurance Regulatory Commission ("CBIRC") and on the condition that the following conditions are satisfied: (1) replacing the redeemed instrument with a capital instrument of equal or higher quality, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain significantly higher than the regulatory capital requirements stipulated by the original CBIRC.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

36 Other Equity Instruments *(Continued)*

(1) Perpetual bonds (Continued)

(b) Main terms of perpetual bonds (Continued)

The claims in respect of the perpetual bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the perpetual bonds, and will rank in priority to all classes of shares held by the Bank's shareholders and rank pari passu with the claims in respect of any other additional tier-one capital instruments of the Bank that rank pari passu with the bonds. If subsequent amendments to the *PRC Enterprise Bankruptcy Law* or relevant regulations are applicable, such relevant laws and regulations shall prevail.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write-down/write-off part or all of the principal of the perpetual bonds without the consent of the bondholders. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier occurrence under the following circumstances: (1) the original CBIRC deems that the Bank would become non-viable without a write-down/write-off; (2) the relevant authorities deem that the Bank would become non-viable without a public sector injection of capital or equivalent support. The write-down/write-off will not be restored.

The coupon rate of the perpetual bonds will be adjusted at defined intervals with a coupon rate adjustment period which is every 5 years since the payment settlement date. In any coupon rate adjusted period, the interest payments on the perpetual bonds will be made at a prescribed fixed coupon rate. The coupon rate at the time of issuance will be determined by book running and centralised allocation.

The coupon rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of the 5-year bond yield curve published on www.ChinaBond.com.cn (or other websites recognized by the China Central Depository & Clearing Co., Ltd.) 5 trading days prior to the Announcement Date of the Subscription Agreement or the adjustment date of the benchmark interest rate (excluding the current day) (rounded up to 0.01%). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

36 Other Equity Instruments *(Continued)*

(1) Perpetual bonds (Continued)

(b) Main terms of perpetual bonds (Continued)

The Bank shall have the right to cancel all or part of the interest distribution of the perpetual bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the bondholders. The Bank may, at its sole discretion, use the proceeds from the cancelled distribution to meet other obligations as they fall due. The cancellation of all or part of interest distribution on the perpetual bonds will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shareholders. Any cancellation of any all or part of interest distribution on the perpetual bonds will require the deliberation and approval of the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the case of cancelling all or part of interest distributions on the perpetual bonds, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the interest distribution in whole to the holders of the perpetual bonds. The Dividend Stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

The interest distributions on the perpetual bonds must come from distributable items, and will not be affected by the rating of the Bank, nor will be reset based on any change to such rating. The interest distribution on the perpetual bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the bondholders in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The perpetual bonds do not have any step-up mechanism or any other incentive to redeem. Investors are not allowed to sell the perpetual bonds.

(c) Changes in perpetual bonds outstanding at the end of the period/year

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

36 Other Equity Instruments *(Continued)*

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

	30 June 2026	31 December 2025
Equity attributable to shareholders of the Bank		
– Ordinary shareholders of the Bank	181,660	177,873
– Other equity instruments holders of the Bank	24,995	24,995
Non-controlling interests		
– Ordinary shareholders of non-controlling interests	4,790	4,467
Total	211,445	207,335

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

	31 December 2025	Increase	Decrease	30 June 2026
Perpetual Bond				
Number of shares (In millions)	250	–	–	250
Amount	24,995	–	–	24,995

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

37 Capital Reserve

	1 January 2026	Increase	Decrease	30 June 2026
Share premium	38,570	–	–	38,570

	1 January 2025	Increase	Decrease	31 December 2025
Share premium	38,570	–	–	38,570

38 Other Comprehensive Income

	Other comprehensive income in the consolidated statement of financial position			Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2026					
	1 January 2026	Net-of-tax amount attributable to shareholders of the Bank	30 June 2026	Before-tax amount of the period	Previously recognized amount transferred to profit or loss	Income tax expense	After-tax amount of the period	Net-of-tax amount attributable to shareholders of the Bank	Net-of-tax amount attributable to shareholders of the Non- Controlling interests
Items that will not be reclassified to profit or loss									
– Changes in fair value of financial investments designated to be measured at FVOCI	330	10	340	13	–	(3)	10	10	–
Items that may be reclassified to profit or loss									
– Changes in fair value of financial assets measured at FVOCI	923	151	1,074	2,822	(2,620)	(51)	151	151	–
– Allowance for ECLs of financial assets measured at FVOCI	1,030	(172)	858	(230)	–	58	(172)	(172)	–
– Exchange differences from the translation of foreign operations	345	(428)	(83)	(431)	–	–	(431)	(428)	(3)
Total	2,628	(439)	2,189	2,174	(2,620)	4	(442)	(439)	(3)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

38 Other Comprehensive Income *(Continued)*

	Other comprehensive income in the consolidated statement of financial position			Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025					
	1 January 2025	Net-of-tax amount attributable to shareholders of the Bank	31 December 2025	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	After-tax amount of the year	Net-of-tax amount attributable to shareholders of the Bank	Net-of-tax amount attributable to shareholders of the Non-Controlling interests
Items that will not be reclassified to profit or loss									
- Changes in fair value of financial investments designated to be measured at FVOCI	297	33	330	44	-	(11)	33	33	-
Items that may be reclassified to profit or loss									
- Changes in fair value of financial assets measured at FVOCI	3,814	(2,891)	923	368	(4,223)	964	(2,891)	(2,891)	-
- Allowance for ECLs of financial assets measured at FVOCI	1,349	(319)	1,030	(426)	-	107	(319)	(319)	-
- Exchange differences from the translation of foreign operations	887	(542)	345	(545)	-	-	(545)	(542)	(3)
Total	6,347	(3,719)	2,628	(559)	(4,223)	1,060	(3,722)	(3,719)	(3)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

39 Surplus Reserve

	Statutory surplus reserve
Balance at 1 January 2025	14,012
Appropriation (Note III.41)	1,219
Balance at 31 December 2025	15,231
Appropriation (Note III.41)	–
Balance at 30 June 2026	15,231

Pursuant to the Company Law of the PRC and the Articles, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve.

40 Statutory General Reserve

	Statutory general reserve
Balance at 1 January 2025	35,119
Appropriation (Note III.41)	2,800
Balance at 31 December 2025	37,919
Appropriation (Note III.41)	1,575
Balance at 30 June 2026	39,494

Pursuant to *the Administrative Measures on Accrual of Provisions by Financial Enterprises* (Caijin [2012] No. 20), financial enterprises establish a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The statutory general reserve of the Group and the Bank should not be less than 1.5% of the period-end balance of its risk assets. The Bank's subsidiaries, if required by local regulation requirements, also need to make such general reserve.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

41 Profit appropriations

	Notes	30 June 2026	31 December 2025
Balance at the beginning of the period/year		56,061	52,396
Add: Net profit attributable to shareholders of the Bank		7,824	12,931
Less: Appropriation to surplus reserve		–	(1,219)
Appropriation to statutory general reserve		(1,575)	(2,800)
Distribution to ordinary shareholders	(1)	(3,598)	(4,284)
Distribution to perpetual bonds holders	(2)	–	(963)
Balance at the end of the period/year		58,712	56,061

(1) Approved and distributed dividends of ordinary shareholders

As approved by shareholders in 2025 Annual General Meeting on 8 June 2026, based on the Bank's total ordinary shares amounting to 27,465 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB1.31 for each 10 ordinary shares, with total amount of RMB3,598 million.

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

(2) Announcement and distribution to perpetual bonds holders

On 20 November 2025, the Bank announced the interest of perpetual bonds issued amounting to RMB963 million at the initial annual interest rate of 3.85% prior to the interest rate reset date determined by the terms of the bond. The distribution date was 26 November 2025.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

42 Notes to Consolidated Cash Flow Statements

(1) Cash and cash equivalents

	30 June 2026	30 June 2025
Cash	767	915
Surplus deposit reserves with the central bank	59,142	15,423
Deposits with banks and other financial institutions with original maturities of less than three months	25,530	25,277
Placements with banks and other financial institutions with original maturities of less than three months	1,925	2,655
Financial assets purchased under resale agreements with original maturities of less than three months	165,233	63,095
Total	252,597	107,365

(2) Reconciliation of liabilities arising from financing activities

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

	Debt securities issued	Lease liabilities	Dividend payable	Total
At 1 January 2026	512,953	2,691	18	515,662
Cash changes:				
Proceeds from issuance of debt securities	152,366	—	—	152,366
Repayments of principal on debt securities issued	(190,737)	—	—	(190,737)
Repayments of interest on debt securities issued	(5,678)	—	—	(5,678)
Payment for dividend distribution	—	—	(2,822)	(2,822)
Payment for principal element of lease liabilities	—	(330)	—	(330)
Payment for interest element of lease liabilities	—	(45)	—	(45)
Non-cash changes:				
Interest expense	5,099	45	—	5,144
Dividends declared (Note III.41(1))	—	—	3,598	3,598
Net increase of lease liabilities	—	157	—	157
At 30 June 2026	474,003	2,518	794	477,315

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

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

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

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

43 Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned, the Group fully or partially derecognize the transferred financial assets. In other cases where these transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

43 Transfer of Financial Assets *(Continued)*

(1) Securitization transactions

In the process of securitization of credit assets, the Group transfers credit assets to structured entities and issues asset-backed securities as issuers. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. For the six months ended 30 June 2026, the Group has transferred the ownership of the loans principal amounting to RMB3,003 million (For the six months ended 30 June 2025: RMB8,888 million), as well as substantially all the risks and rewards of the loans have been transferred, the full amount of such securitised loans were derecognised.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognised the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of risks and rewards undertaken by the Group with value changes of the transferred financial assets. For the six months ended 30 June 2026, there were no as of new securitised credit assets in which the Group retained the continuing involvement (For the six months ended 30 June 2025: Nil). At 30 June 2026, the carrying amount of the assets and liabilities that the Group continues to recognise on the statement of financial position was RMB568 million (31 December 2025: RMB568 million), which are separately presented as other assets and other liabilities.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

43 Transfer of Financial Assets *(Continued)*

(2) Non-performing assets transfer

For the six months ended 30 June 2026, the Group transferred non-performing loans and restructured loans principal amounting to RMB9,994 million (for the six months ended 30 June 2025: RMB10,060 million), the Group transferred non-performing financial investments amounting to RMB2 million (for the six months ended 30 June 2025: Nil). For the six months ended 30 June 2026, the Group has transferred the ownership of non-performing loans, the principal of which amounted to RMB3,003 million (for the six months ended 30 June 2025: RMB3,333 million) through securitization transactions. For the six months ended 30 June 2026, the Group has transferred the ownership of non-performing loans, there is no principal of which (for the six months ended 30 June 2025: RMB1,869 million) through divestiture of beneficial interest. As the Group transferred substantially all the risks and rewards of these non-performing loans, the Group derecognized these non-performing loans.

(3) Repurchase and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include securities delivered as collateral in a repurchase transaction to a counterparty and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but have obligations to return the securities at the maturity of the contracts. In some cases, if the value of the relevant securities rises or falls, the Group may require the counterparty to pay additional cash as collateral or need to return part of the cash collateral to the counterparty. The Group determined that it retained substantially all the risks and rewards of these securities and therefore had not derecognized them. At 30 June 2026, the face value of debt securities lent to counterparties was RMB4,460 million (31 December 2025: Nil).

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IV INTERESTS IN OTHER ENTITIES

1 Interests in subsidiaries

(1) Composition of the Group

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

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

(2) Important non wholly-owned subsidiaries and main financial information

An important non wholly-owned subsidiary of the Group is Zheyin Financial Leasing. The following table lists the main financial information of Zheyin Financial Leasing. The main financial information of these subsidiaries is the amount before the Group's internal transactions are offset, but it has been adjusted by the unified accounting policy:

	30 June 2026	31 December 2025
Total assets	94,916	90,395
Total liabilities	85,139	81,276

	For the six months ended 30 June 2026	2025
Operating income	1,966	1,786
Net profit	664	622
Total comprehensive income	658	621
Net cash generated from operating activities	748	6,794

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IV INTERESTS IN OTHER ENTITIES *(Continued)*

2 Interests in the structured entities

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

(1) Consolidated structured entities directly held by the Group

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

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

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

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

Considering the relevant agreements and the Group's investments in the structured entities, the Group does not consolidate the above structured entities in the consolidated financial statements.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IV INTERESTS IN OTHER ENTITIES *(Continued)*

2 Interests in the structured entities *(Continued)*

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

On the balance sheet date, the relevant balance sheet items, book value and maximum loss exposure of the Group's equity in the structured entity initiated and established by a third party institution through direct holding of investment in the Group's consolidated statement of financial position are listed as follows:

	30 June 2026			
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	Total
Fund investments	55,267	–	–	55,267
Trust schemes and asset management plans	790	2,045	–	2,835
Asset-backed securities	31,427	152	15,484	47,063
Wealth management products	135	–	–	135
Total	87,619	2,197	15,484	105,300

	31 December 2025			
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	Total
Fund investments	60,565	–	–	60,565
Trust schemes and asset management plans	111	1,498	–	1,609
Asset-backed securities	40,261	165	14,291	54,717
Wealth management products	162	–	–	162
Total	101,099	1,663	14,291	117,053

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IV INTERESTS IN OTHER ENTITIES *(Continued)*

2 Interests in the structured entities *(Continued)*

(3) Structured entities which the Group is the sponsor, but which are not included in the consolidated financial statements

The types of unconsolidated structured entities sponsored by the Group include non-principal-guarantee wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of wealth management products to investors. Interest held by the Group are fees charged by direct holding of investment or providing management services.

At 30 June 2026, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group was RMB184,717 million (31 December 2025: RMB182,458 million). For the six months ended 30 June 2026, the fee and commission income recognised by the Group for such financial products was RMB205 million (For the six months ended 30 June 2025: RMB246 million). At the balance sheet date, the balance of fee and commission receivables of the Group was not material.

V SEGMENT REPORTING

1 Business segment

For management purposes, the Group is organized into different operating segments, namely corporate banking, retail banking and treasury operations, based on internal organizational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and other institutions. The products and services include corporate loans and advances, trade financing, corporate deposits, credit commitments and financial guarantee, underwriting of debt instruments and various types of corporate intermediary services, etc.

Retail banking

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans and advances, personal deposits, wealth management businesses, card businesses and various types of retail banking services, etc.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING *(Continued)*

1 Business segment *(Continued)*

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, repurchase transactions, debt instruments investments, equity instruments investments, financial derivatives businesses for proprietary trading or on behalf of customers, as well as financial products and services provided to other financial institutions. The division also manages the liquidity level of the Group, including the issuance of debt securities.

Other business

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

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

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING (Continued)

1 Business segment (Continued)

Other business (Continued)

Business segment

	For the six months ended 30 June 2026/30 June 2026				
	Corporate banking	Retail banking	Treasury operations	Others	Total
External net interest income	11,622	4,188	5,593	949	22,352
Inter-segment net interest income/(expenses)	4,502	(228)	(4,274)	–	–
Net interest income	16,124	3,960	1,319	949	22,352
Net fee and commission income/(expenses)	1,666	907	(142)	126	2,557
Net trading gains/(losses)	–	–	2,926	(7)	2,919
Net gains on financial investments	202	–	4,077	–	4,279
Other operating income	–	7	57	1,345	1,409
Operating income	17,992	4,874	8,237	2,413	33,516
Operating expenses	(5,218)	(2,235)	(2,021)	(902)	(10,376)
Expected credit losses (charge)/reversal	(10,711)	(4,048)	2,138	(392)	(13,013)
Impairment losses on other assets	(80)	–	–	–	(80)
Total operating expenses	(16,009)	(6,283)	117	(1,294)	(23,469)
Profit/(losses) before taxation	1,983	(1,409)	8,354	1,119	10,047
Segment assets	1,698,828	461,804	1,403,509	110,230	3,674,371
Unallocated assets					21,429
Total assets					3,695,800
Segment liabilities	(1,723,758)	(450,950)	(1,293,618)	(16,029)	(3,484,355)
Other segment information:					
Credit commitments and financial guarantee	832,217	21,734	–	2,116	856,067
Depreciation and amortisation	546	257	190	29	1,022
Capital expenditure	386	105	319	1,848	2,658

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING (Continued)

1 Business segment (Continued)

Other business (Continued)

Business segment (Continued)

	For the six months ended 30 June 2025/31 December 2025				
	Corporate banking	Retail banking	Treasury operations	Others	Total
External net interest income	10,107	5,921	6,105	913	23,046
Inter-segment net interest income/(expenses)	6,659	(1,214)	(5,445)	–	–
Net interest income	16,766	4,707	660	913	23,046
Net fee and commission income/(expenses)	1,626	434	243	(10)	2,293
Net trading gains	–	–	2,514	–	2,514
Net gains on financial investments	522	–	3,841	–	4,363
Other operating income	–	8	39	1,002	1,049
Operating income	18,914	5,149	7,297	1,905	33,265
Operating expenses	(5,005)	(2,352)	(1,954)	(959)	(10,270)
Expected credit losses	(5,355)	(5,690)	(1,806)	(449)	(13,300)
Total operating expenses	(10,360)	(8,042)	(3,760)	(1,408)	(23,570)
Profit/(losses) before taxation	8,554	(2,893)	3,537	497	9,695
Segment assets	1,532,618	483,211	1,324,188	119,408	3,459,425
Unallocated assets					21,667
Total assets					3,481,092
Segment liabilities	(1,634,989)	(404,769)	(1,215,820)	(18,179)	(3,273,757)
Other segment information:					
Credit commitments and financial guarantee	813,011	19,676	–	–	832,687
Depreciation and amortisation	543	256	188	350	1,337
Capital expenditure	596	191	489	5,474	6,750

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING *(Continued)*

2 Regional division

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

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

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

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING (Continued)

2 Regional division (Continued)

Regional division

	For the six months ended 30 June 2026/30 June 2026					
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China Region	Elimination	Total
External net interest income	14,785	1,784	1,509	4,274	–	22,352
Inter-segment net interest (expenses)/ income	(1,705)	1,264	549	(108)	–	–
Net interest income	13,080	3,048	2,058	4,166	–	22,352
Net fee and commission income	1,342	316	379	520	–	2,557
Net trading gains	2,527	111	131	150	–	2,919
Net gains/(losses) on financial investments	4,202	37	(7)	47	–	4,279
Other operating income	1,127	252	2	28	–	1,409
Operating income	22,278	3,764	2,563	4,911	–	33,516
Operating expenses	(6,736)	(1,235)	(809)	(1,596)	–	(10,376)
Expected credit losses	(7,111)	(3,397)	(1,252)	(1,253)	–	(13,013)
Impairment losses on other assets	(80)	–	–	–	–	(80)
Total operating expenses	(13,927)	(4,632)	(2,061)	(2,849)	–	(23,469)
Profit/(losses) before taxation	8,351	(868)	502	2,062	–	10,047
Segment assets	3,599,490	360,928	303,965	442,514	(1,032,526)	3,674,371
Unallocated assets						21,429
Total assets						3,695,800
Segment liabilities	(3,412,860)	(361,999)	(301,700)	(440,322)	1,032,526	(3,484,355)
Other segment information:						
Credit commitments and financial guarantee	394,039	149,649	112,796	199,583	–	856,067
Depreciation and amortisation	563	153	140	166	–	1,022
Capital expenditure	2,634	4	11	9	–	2,658

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING (Continued)

2 Regional division (Continued)

Regional division (Continued)

For the six months ended 30 June 2025/31 December 2025						
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China Region	Elimination	Total
External net interest income	14,317	2,244	1,870	4,615	–	23,046
Inter-segment net interest (expenses)/ income	(2,051)	1,425	608	18	–	–
Net interest income	12,266	3,669	2,478	4,633	–	23,046
Net fee and commission income	897	441	431	524	–	2,293
Net trading gains	2,004	167	198	145	–	2,514
Net gains on financial investments	3,827	125	111	300	–	4,363
Other operating income	952	36	8	53	–	1,049
Operating income	19,946	4,438	3,226	5,655	–	33,265
Operating expenses	(6,339)	(1,359)	(878)	(1,694)	–	(10,270)
Expected credit losses	(8,718)	(2,180)	(1,672)	(730)	–	(13,300)
Total operating expenses	(15,057)	(3,539)	(2,550)	(2,424)	–	(23,570)
Profit before taxation	4,889	899	676	3,231	–	9,695
Segment assets	3,260,330	360,024	286,127	425,654	(872,710)	3,459,425
Unallocated assets						21,667
Total assets						3,481,092
Segment liabilities	(3,086,578)	(357,661)	(282,697)	(419,531)	872,710	(3,273,757)
Other segment information:						
Credit commitments and financial guarantee	389,700	145,139	107,700	190,148	–	832,687
Depreciation and amortisation	897	161	100	179	–	1,337
Capital expenditure	6,095	132	132	391	–	6,750

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

VI COMMITMENTS AND CONTINGENCIES

1 Credit commitments and financial guarantee

Bank acceptances refer to the Group's commitment to honor bills issued by customers. Letter of credit and financial guarantee refer to guarantee of customers' performance the Group provides to third parties. Approved loan commitments, finance lease commitments and undrawn credit card limit refer to the Group's credit commitments. Receivables confirmation refer to the Group's commitment to receivables confirmation issued by customers.

The amount of bank acceptances, letter of credit, letter of guarantee, receivables confirmation and other financial guarantee contracts disclosed is the maximum potential loss amount that the Group will recognize at the balance sheet date if the counterparties fail to oblige. The amount of Irrevocable loan commitments, finance lease commitment and undrawn credit line of credit card are the maximum cash flow assuming fully issued. The Group expects that bank acceptances, letter of credit, letter of guarantee and receivables confirmation will be settled at the same time as the payment of customers. Irrevocable loan commitments, finance lease commitments and undrawn credit card facility may not be used before maturity. Therefore, the contract amount mentioned below does not represent the expected cash outflow in the future.

	30 June 2026	31 December 2025
Bank acceptances issued	393,139	405,624
Letters of credit issued		
– Sight letters of credit	7,606	6,827
– Usance letters of credit	313,782	272,411
Letters of guarantee issued		
– Financing letters of guarantee	22,352	23,834
– Non-financing letters of guarantee	22,350	19,459
Undrawn credit card facility	21,734	19,676
Loan commitments	4,194	2,936
Finance lease commitments	2,116	2,705
Receivables confirmation and other financial guarantee contracts	68,794	79,215
Total	856,067	832,687

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

VI COMMITMENTS AND CONTINGENCIES *(Continued)*

2 Capital Expenditure Commitments

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

	30 June 2026	31 December 2025
Contracted but not yet incurred	9,312	5,504
Authorized but not contracted	370	493
Total	9,682	5,997

3 Bond underwriting and redemption commitments

- (1) At 30 June 2026, the Group has outstanding bond underwriting commitments with an amount of RMB1,180 million (31 December 2025: RMB1,000 million).
- (2) As a member of the saving bonds underwriting syndicate of the Central Government, the Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds deducting commissions for early redeemed, plus any interest accrued up to the redemption date. The interest accrued shall be calculated in accordance with the relevant rules of the Ministry of Finance (the "MOF") and the PBOC.

At 30 June 2026, the Group had underwritten bonds with an accumulated amount of RMB894 million (31 December 2025: RMB925 million) to the general public, and these government bonds have not yet matured nor been redeemed. The Group expects that the amount of redemption of these government bonds through the Group prior to maturity will not be material.

4 Outstanding litigations and disputes

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

VI COMMITMENTS AND CONTINGENCIES *(Continued)*

5 Future operating lease payments

As the lessor, the Group mainly engages in leasing business through its subsidiary in leases. The undiscounted operating lease payments after the balance sheet date that the Group should receive are as follows:

	30 June 2026	31 December 2025
Within 1 year (inclusive)	754	977
1 – 2 years (inclusive)	843	856
2 – 3 years (inclusive)	768	794
3 – 4 years (inclusive)	713	718
4 – 5 years (inclusive)	690	683
Above 5 years	4,264	4,489
Total	8,032	8,517

The operating lease income is recognized on a straight-line basis or another systematic and rational method during the lease term. The variable lease payments included in the lease payments at the commencement date are recognized by the Group as operating lease income when incurred. The disclosure of undiscounted operating lease payments after the balance sheet date exclude the variable lease payments not included in the lease payments at the commencement date.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

VII FIDUCIARY BUSINESS

1 Entrusted loan business

Entrusted loan business means that under the entrusted loan arrangement, the Group acts as an intermediary to provide loans to borrowers based on the instructions of the principal. The Group is responsible for assisting in supervising the use and the recovery of the loan, and charging commissions for the services provided. As the Group does not assume the economic risks and rewards arising from the entrusted loans, the entrusted loans will not be recognized as assets and liabilities of the Group.

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

	30 June 2026	31 December 2025
Entrusted loans	13,082	13,172
Entrusted loan funds	13,082	13,172

2 Entrusted investments business

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

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

	30 June 2026	31 December 2025
Entrusted investments	423	436

3 Wealth management services

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

VIII COLLATERAL INFORMATION

1 Assets pledged as security

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

	30 June 2026	31 December 2025
Bond investments	224,504	259,327
Bills	3,962	3,244
Finance lease receivables	432	435
Fixed assets leased out under operating leases	414	438
Total	229,312	263,444

In addition, the Group provides collateral for the securities borrowed through the security lending and swap business. At 30 June 2026, the assets as collateral under the security lending and swap business of the Group were RMB5,105 million (31 December 2025: RMB1,671 million).

2 Assets received as collateral

At 30 June 2026, the Group has no securities that could sell or repledge the collateral in the absence of default by the owner of the collateral (31 December 2025: Nil). The Group has an obligation to return the collateral to the owner on the date of resale, at the balance sheet date, none of the collateral is re-sold or re-pledged. Details of collateral related information in loans and advances to customers and financial investments that are credit-impaired could be referred to in Note X.1(9).

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1 Major shareholders

At 30 June 2026, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (in million shares)	Shareholding Percentage
Zhejiang Provincial Innovation Investment Group Co., Ltd. (formerly known as Zhejiang Provincial Financial Holdings Co., Ltd.)	3,452	12.57%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,849	6.73%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,616	5.88%
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its group members, Zhejiang Seaport (Hong Kong) Co., Ltd.	1,577	5.74%

At 31 December 2025, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

2 Related party transactions

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

	Zhejiang Provincial Innovation Investment Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions from 1 January 2026 to 30 June 2026 is as follows:							
Interest income	-	4	36	9	140	189	0.39%
Interest expense	(31)	-	-	(4)	(46)	(81)	0.31%
Fee and commission income	-	1	4	-	7	12	0.24%
Net trading gains	126	-	-	-	127	253	8.67%
Operating expenses	-	-	-	(1)	(3)	(4)	0.04%
At 30 June 2026, the balance of major current accounts is as follows:							
Derivative financial assets	-	-	-	-	568	568	2.56%
Financial assets purchased under resale agreements	980	-	-	-	-	980	0.59%
Loans and advances to customers	-	617	2,500	439	6,135	9,691	0.48%
Financial investments measured at FVTPL	8,774	-	-	-	8,177	16,951	6.64%
Financial investments measured at FVOCI	-	-	-	101	80	181	0.06%
Customer deposits	(3,152)	(91)	(301)	(190)	(4,911)	(8,645)	0.40%
Derivative financial liabilities	-	-	-	-	(511)	(511)	1.62%
The major off-balance sheet items at 30 June 2026 are as follows:							
Credit commitments and financial guarantee	38	551	2,000	13	159	2,761	0.32%
Loan balance guaranteed by related parties	6,054	200	5,970	359	6,322	18,905	0.66%

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

2 Related party transactions (Continued)

	Zhejiang Provincial Innovation Investment Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions from 1 January 2025 to 30 June 2025 is as follows:							
Interest income	-	1	35	4	67	107	0.20%
Interest expense	(40)	-	-	(15)	(60)	(115)	0.39%
Fee and commission income	-	2	-	-	3	5	0.17%
Net trading gains	27	-	-	-	71	98	3.90%
Operating expenses	-	-	-	(1)	(2)	(3)	0.03%
At 31 December 2025, the balance of major current accounts is as follows:							
Derivative financial assets	-	-	-	-	280	280	1.02%
Financial assets purchased under resale agreements	597	-	-	-	-	597	0.66%
Loans and advances to customers	-	356	1,998	340	5,955	8,649	0.45%
Financial investments measured at FVTPL	7,669	-	-	-	8,773	16,442	7.16%
Financial investments measured at FVOCI	-	20	-	-	30	50	0.01%
Customer deposits	(4,151)	(58)	(100)	(1,381)	(5,438)	(11,128)	0.55%
Derivative financial liabilities	-	-	-	-	(203)	(203)	0.98%
The major off-balance sheet items at 31 December 2025 are as follows:							
Credit commitments and financial guarantee	17	927	2,350	1	123	3,418	0.41%
Loan balance guaranteed by related parties	6,689	239	5,666	261	5,782	18,637	0.68%

The Bank disclosed related party transactions in accordance with *Measures for the Administration of Affiliated Transactions of Banking and Insurance Institutions* (Decree No.1 in the year of 2022 of the original CBIRC). For major related party transactions, please refer to the Bank's announcement on the Shanghai Stock Exchange, and for general related party transactions, please refer to the Investor Services column on the Bank's website.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

3 Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. For the reporting period, the Group had no material banking transactions and balances with key management personnel.

The remuneration of directors and other members of key management during the period were as follows:

	For the six months ended 30 June	
	2026	2025
Fees	1	1
Salaries and allowances and benefits	2	5
Contribution to pension	1	1
Total	4	7

The total compensation packages (before tax) for directors and key management personnel have not been finalised. The total compensation packages will be further disclosed when determined.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

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

4 Transactions between the Bank and the subsidiaries

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

	For the six months ended 30 June	
	2026	2025
Interest income	–	27
Interest expense	(17)	(16)
Fee and commission income	1	3
Fee and commission expense	–	(90)
Other operating income	14	11
Lease payment to subsidiaries	4	4

	30 June 2026	31 December 2025
Other assets	1,010	1,019
Deposits from banks and other financial institutions	(2,282)	(3,937)
Customer Deposits	(207)	–
Other liabilities	(9)	(9)

5 Plan and transaction of annuity

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

	For the six months ended 30 June	
	2026	2025
Interest expense	3	5

	30 June 2026	31 December 2025
Customer deposits	183	197

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks arising from its operating activities. The Group analyzes, evaluates, accepts and manages those risks or risk portfolios of a certain degree. Managing those risks is critical to the financial industry, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The board of directors takes the ultimate responsibility for comprehensive risk management, and the senior management is responsible for implementing comprehensive risk management. The position of chief risk officer has been established in place, the board of directors has established special committees including risk and related party transactions control committee; the senior management has established special committees including risk management and asset and liability management committee, information technology management committee, data governance committee and innovation management committee.

The risk management department at the head office is the coordination department for comprehensive risk management and the leading department for management of credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk and ESG risk management. The asset and liability management department at the head office is the leading department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at the head office is the leading department for management of operational risk, compliance risk and outsourcing risk. The work department of the party committee (the publicity department of the party committee) at the head office is the leading department for management of reputational risk. The development and planning department at the head office is the leading department for management of strategic risk. The social responsibility and consumer rights protection department at the head office is the leading department for management of consumer rights protection.

The primary financial risks to which the Group is exposed to when using financial instruments are credit risk, market risk (including interest rate risk, foreign exchange risk) and liquidity risk.

1 Credit Risk

The Group is exposed to credit risk, which is the risk of loss arising from a client or counterparty's failure to discharge its contractual obligations. Exposure to credit risk mainly arises from interbank transactions, corporate and retail loans, as well as loan commitments from lending activities. It can also be derived from credit enhancement provided by the Group, such as credit derivatives (credit default swaps), letters of credit, financial guarantees and acceptances. Management carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department at the head office and reported to the Bank's senior management in a timely manner.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(1) Credit risk measurement

Loans and advances to customers, credit commitments and financial guarantee

Based on changes in external business environment, internal business conditions and risk profile, the Group has formulated basic credit policies, and specified the policy orientation in respect of customer structure, industry structure, regional structure and key business areas of the Group's credit business. In addition, the Group regularly adjusts its credit policy on the basis of continuous tracking of macro and industry economic development trends. The Group shall continue to improve the credit system construction, the unified credit extension management system for corporate and institutional customers, group customer identification and unified credit extension management, the overall management and unified control of the total credits of corporate and institutional customers, and the standardized credit approval process, group customer management. The Bank shall also establish a differentiated authorization system, and timely adjust the credit policy and take effective measures to guard against credit risks.

The Group has established the credit risk limit framework system, credit risk limit management plans and methods, and specified management mechanisms in respect of setting, adjusting, monitoring and processing quota indicators to effectively transmit risk preferences. Financial assets are written off when the Group is unable to recover the whole or a part of them even after taking necessary measures and implementing necessary procedures, and when the write-off conditions set by the Ministry of Finance and the Group are met.

Bond investment

The Group manages investment in bonds and other instruments based on the internal credit rating and credit rating of external rating agencies. Except for immediate approval to government bonds, local government debts, central bank bills and policy bank financial bonds, all other bonds are subject to credit approval processes and credit rating requirements. At the same time, the Group continues to focus on the credit rating, business development and industry changes, to perform continuous evaluation and management of credit risk.

Non-bond debt investment

Non-bond debt investment includes trust schemes and asset management plans and debt financing plans. The Group implements rating assessment system for cooperative trust companies and securities companies, and sets credit lines for the ultimate financing party of the trust income and targeted asset management plans and debt financing plans, and conducts follow-up review of risk management on a regular basis.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(1) Credit risk measurement *(Continued)*

Interbank business

Credit risk of financial institutions is reviewed and managed on a regularly basis. Credit lines are set for banks or other financial institutions that engage in financial transactions with the Group.

(2) Risk limits and mitigation measures

The Group has established policies and procedures for credit risk limits management. Credit risk limits are set based on specific customers, industries and the quality of assets, and a working mechanism is established regarding credit risk limits management, including limits setting, adjustment, monitoring, reporting and processing.

The Group transfers or mitigates its credit risk exposure by way of guarantee, collateral (pledge), net settlement and credit derivatives. Other specific management and mitigation measures include:

Collaterals and pledged assets

The Group has formulated a series of policies to mitigate credit risks through various measures. The acquisition of collateral and margins and obtaining corporate or individual guarantees is an important means for the Group to control credit risk. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

- Residential properties
- Business assets such as commercial properties, inventories and accounts receivables
- Financial instruments such as debt securities and stocks

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(2) Risk limits and mitigation measures (Continued)

Collaterals and pledged assets (Continued)

The fair value of collaterals and pledges are assessed by professional valuation firms appointed by the Group. To reduce credit risk, the Group has set maximum loan-to-value ratio (ratio of loan amount to fair value of collateral and pledge) for different collaterals and pledges. The principal types of collateral and pledge and the maximum loan-to-value ratio for corporate and retail loans are as follows:

Type of collaterals and pledged assets	Maximum loan to value ratio
Time deposits and PRC treasury bonds	100%
Financial bonds	80%
Residential properties and commercial properties	70%
Land use rights	70%
Vehicles	60%
General equipment	50%

For loans guaranteed by a third-party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

Derivative financial instruments

The Group imposes strict restrictions on the trading of derivative financial instruments. The Group controls the credit risks associated with derivative financial instruments by collecting margins or grant credits from/to counterparties.

Deposits of credit commitments and financial guarantee

The main purpose of credit commitments and financial guarantee is to ensure that customers can receive the funds needed. The letter of guarantee and the letter of credit represent the Group's irrevocable undertaking, that is, the Group will perform the payment obligations on behalf of its customers who fail to meet their payment obligations to third parties, and the Group bears the same credit risk as the case of loans. In the event that the amount of credit commitments and financial guarantee requested by the customer exceeds its original credit limit, the Group will collect deposit to reduce the credit risk involved in providing the service.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(3) Measurement of ECLs

The ECL model is used for the measurement of the allowance for ECLs for financial assets measured at AC, financial assets measured at FVOCI and credit commitments and financial guarantee.

The ECL model is developed in accordance with the accounting standards. Based on credit risk characteristics such as product type, customer type, customer industry, the Group has conducted a risk subgroup on financial assets and established different models for non-retail business, retail business, credit card business, etc. The Group has established a regression model of risk parameters and macroeconomic indicators such as GDP, etc. The Group applies the ECL model to calculate credit losses under multiple scenarios to regularly predict three macro scenarios, including optimistic, neutral and pessimistic. The Group uses judgements, assumptions and estimates in measuring the ECLs in accordance with the accounting standards, including:

- Grouping of risks
- Classification of stages
- Models and parameters
- Forward-looking information, other adjustments and sensitivity analysis

Grouping of risks

Credit exposures are grouped based on credit risk characteristics including type of product, type of customer, industry where the client operates and markets. The non-retail business exposure risk group covers manufacturing loans, real estate loans and wholesale and retail loans, etc. The retail business exposure risk group covers business loans, consumer loans, mortgage loans and credit card, etc.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(3) Measurement of ECLs *(Continued)*

Classification of stages

The Group classifies financial instruments into three stages and makes provisions for ECLs accordingly, depending on whether the credit risk of a financial instrument has increased significantly or whether the financial instrument is credit-impaired since initial recognition. The three risk stages are defined as follows:

Stage 1: Credit risk has not increased significantly since initial recognition. A 12-month ECL is recognized.

Stage 2: Credit risk has increased significantly since initial recognition but there is no objective evidence of impairment of the financial instrument. A lifetime ECL is recognized.

Stage 3: When there is objective evidence of impairment of the financial assets at the balance sheet date. A lifetime ECL is recognized.

The Group's staging criteria has taken into consideration the internal credit rating, probability of default, overdue days, credit risk rating, etc.

Definition of significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group fully considers all reasonable information with solid evidence, including forward-looking information that reflects significant changes in its credit risk. The main considerations are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, loan contract terms, and repayment behavior. The Group determines the changes in credit risk over the expected lifetime of the financial instruments by comparing the credit risk of the financial instruments at the balance sheet date with that at the date of initial recognition.

The Group determines whether the credit risk of financial instruments has changed significantly since initial recognition by setting quantitative and qualitative criteria. The judgement criteria mainly include more than 30 days overdue, special mention for five-category classification, changes in probability of default and other cases that indicate a significant change in credit risk.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(3) Measurement of ECLs *(Continued)*

Definition of credit-impaired financial assets

Generally, financial assets are considered to be credit-impaired if:

- The borrower is more than 90 days overdue after the contractual payment date;
- The internal credit rating of the borrower is default level;
- For economic or contractual reasons related to the financial difficulties of the borrower, concessions which normally are not available are being made to the borrower;
- The borrower is experiencing significant financial difficulties;
- The borrower is likely to enter bankruptcy or other financial restructuring; and
- The active market for the financial assets disappears as a result of the financial difficulties of the issuer or debtor.

An impairment of financial assets may be caused by the combined effect of multiple events, and may not be the result of a separately identifiable events.

The above criteria apply to all financial assets and credit commitments and financial guarantee of the Group. The definition of credit-impaired financial assets is consistently applied to the calculation of ECLs of the Group and when considering about historical statistics and forward-looking information.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(3) Measurement of ECLs *(Continued)*

Models and parameters

Except for the credit-impaired financial instruments, depending on whether there is a significant increase in credit risk and whether the assets are credit-impaired, the Group recognizes allowance for different financial instruments with expected credit losses over 12 months or the lifetime of the instrument, respectively. Allowance for ECLs is the result of multiplication of probability of default (PD), loss given default (LGD) and exposure at default (EAD) and discount factor. Related definitions are as follows:

- Probability of default (PD) refers to the possibility that the debtor will not be able to fulfil its obligations in the next 12 months or throughout the life of the asset. The Group's PD is calculated based on the results of the Internal Rating-Based Approach. The PD of the entire duration is calculated based on the 12-month probability of default;
- Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty, the way of recourse and priority and the availability of collateral or other credit support. The LGD varies by financial assets; and
- Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the life of the asset. The Group's exposure at default is determined by the expected repayment arrangements, and it varies depending on the types of products. For installments payment and lump sum repayment, the Group determines the exposure at default according to the repayment plan stipulated in the contract.

The Group determines the ECLs by forecasting the probability of default, loss given default and exposure at default of future individual debt. The Group multiplies the three parameters to calculate the ECLs for future periods, and then discount the results of each period to the report date in lump sum. The discount rate used in the calculation of expected credit loss is the initial effective interest rate or its approximate value.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(3) Measurement of ECLs *(Continued)*

Models and parameters (Continued)

The measurement of ECLs for credit-impaired corporate loans and advances to customers and investments applied cash flow discount method, if there is objective evidence that an financial asset is credit-impaired, the amount of the ECLs is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. In determining ECLs on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from disposal of assets and liquidation;
- The availability of other financial support and the realizable value of collaterals; and
- The timing of the expected cash flows.

Forward-looking information, other adjustments and sensitivity analysis

The Group has established a forward-looking model and developed regression models for different macro-economic indicators such as Gross Domestic Product growth rate year-on-year (GDP). The Group uses forecasting results of macro-indicators to achieve "forward-looking" calculation of ECLs.

The Group forecasts multiple macro indicators under three domestic macro scenarios: optimistic, neutral and pessimistic. The Group uses the weight scorecard model to determine the weight of the macroeconomic multi scenario indicator forecast value through quantitative analysis of the macroeconomic multi scenario forecast value. Neutral scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than neutral scenario respectively. It can also be used as one of the sources of sensitivity analysis.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(3) Measurement of ECLs *(Continued)*

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

At 30 June 2026, the key macro-indicators the Group has applied include the GDP growth rate on year-on-year basis, the Per Capita Disposable Income of Urban Residents growth rate on year-on-year basis, M0 money supply growth rate on year-on-year basis, etc. Among all, the forecasts of high-weighted macro-indicators are listed as follows:

Indicators	Predictive range
GDP growth rate on year-on-year basis	From 4.16% to 5.23%
Per Capita Disposable Income of Urban Residents growth rate on year-on-year basis	From 3.70% to 4.40%
M0 currency in circulation growth rate on year-on-year basis	From 11.00% to 12.17%

Through sensitivity analysis, when the weight of optimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will decrease by no more than 0.63%. When the weight of pessimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will increase by no more than 0.59%.

When managing ECL model, the Bank fully considered the impact of the potential factors of local government debt on credit risk exposure and makes allowance for ECLs prudently, thereby enhancing the Group's risk compensation capability.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(4) Maximum exposure to credit risk

The following table provides an analysis of the exposure to credit risk of financial instruments applicable to the measurement of ECLs. The carrying amount of the following financial assets is the maximum exposure to credit risk of the Group:

	30 June 2026	31 December 2025
Cash and balances with the central bank	174,395	125,704
Deposits with banks and other financial institutions	40,364	73,583
Placements with banks and other financial institutions	9,264	5,952
Financial assets purchased under resale agreements	165,747	90,599
Loans and advances to customers		
– measured at AC	1,649,620	1,575,832
– measured at FVOCI	318,837	307,405
Financial investments		
– measured at AC	487,879	454,851
– measured at FVOCI	311,315	365,397
Other financial assets	73,268	72,556
Total	3,230,689	3,071,879
Credit commitments and financial guarantee	855,023	831,809

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(5) Risk concentration

The credit risk usually increases if the counterparties are concentrated in a certain industry, region or based on certain economic characteristics. Meanwhile, the economic development is differentiated by the unique characteristics of industries and regions, so the credit risk varies from industry to industry and region to region.

Geographical segments

The gross amount of loans and advances to customers granted by the Group are listed as follows by region (fair value changes and interest accrued excluded):

	30 June 2026		31 December 2025	
	Gross		Gross	
	amount	Proportion	amount	Proportion
Yangtze River Delta Region	1,157,943	57.91%	1,067,571	55.81%
Midwestern China Region	373,627	18.68%	380,390	19.89%
Bohai Rim Region	236,384	11.82%	245,388	12.83%
Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	231,829	11.59%	219,434	11.47%
Total	1,999,783	100.00%	1,912,783	100.00%

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(5) Risk concentration (Continued)

Industry segments

The gross amount of loans and advances to customers granted by the Group are listed as follows by industry (fair value changes and interest accrued excluded):

	30 June 2026		31 December 2025	
	Gross amount	Proportion	Gross amount	Proportion
Corporate loans and advances				
Leasing and commercial services	417,400	20.87%	339,725	17.76%
Manufacturing	277,333	13.87%	286,725	14.99%
Wholesale and retail trade	180,722	9.04%	185,808	9.72%
Real estate	154,426	7.72%	161,815	8.46%
Administration of water conservancy, environment and public facilities	113,498	5.68%	87,829	4.59%
Construction	77,390	3.87%	80,505	4.21%
Financing	61,945	3.10%	40,338	2.11%
Scientific research, technology services and geological exploration	32,539	1.63%	28,695	1.50%
Information transmission, computer services and software industry	26,104	1.31%	25,114	1.31%
Transportation, storage and postal service	19,772	0.99%	18,930	0.99%
Production and supply of electricity, heat, gas and water	17,618	0.88%	17,525	0.92%
Accommodation and catering	15,761	0.79%	17,947	0.94%
Agriculture, forestry, animal husbandry and fishery	13,818	0.69%	13,825	0.72%
Mining	13,491	0.67%	12,832	0.67%
Culture, sports and entertainment	6,780	0.34%	6,422	0.34%
Education	4,211	0.21%	3,292	0.17%
Household services and other services	2,024	0.10%	1,969	0.10%
Health, social security and social welfare	1,894	0.09%	2,163	0.11%
Public administration, social security and social organization	40	0.00%	–	0.00%
Corporate loans and advances	1,436,766	71.85%	1,331,459	69.61%
Personal loans and advances	433,189	21.66%	464,408	24.28%
Discounted bills	129,828	6.49%	116,916	6.11%
Total	1,999,783	100.00%	1,912,783	100.00%

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(6) Credit risk analysis of loans and advances to customers

At the balance sheet date, the stage, overdue information and allowance for ECLs of loans and advances to customers (fair value changes and interest accrued excluded) of the Group are listed as follows:

	Notes	30 June 2026	31 December 2025
Credit-impaired		30,303	29,960
Less: Allowance for ECLs	(a)	(18,549)	(17,443)
Subtotal		11,754	12,517
Overdue but not credit-impaired		11,408	8,963
Less: Allowance for ECLs	(b)	(2,415)	(2,666)
Subtotal		8,993	6,297
Neither overdue nor credit-impaired		1,958,072	1,873,860
Less: Allowance for ECLs	(c)	(20,694)	(19,365)
Subtotal		1,937,378	1,854,495
Total		1,958,125	1,873,309

(a) At 30 June 2026, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were credit-impaired were RMB258 million (31 December 2025: RMB319 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(b) At 30 June 2026, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were overdue but not credit-impaired were RMB20 million (31 December 2025: RMB21 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(c) At 30 June 2026, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were neither overdue nor credit-impaired were RMB472 million (31 December 2025: RMB640 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(7) Credit risk analysis of the amounts due from banks and other financial institutions

Amounts due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements. At the balance sheet date, the book balance (interest accrued excluded) of the Group's due from banks and other financial institutions classified by stage, overdue information and counterparties are analyzed as follows:

	30 June 2026	31 December 2025
Neither overdue nor credit-impaired		
– AAA1 to AAA6	59,356	54,628
– AA1 to AA6	17,299	31,305
– A1 to A3	129,845	72,892
– No rating	8,775	11,157
Less: Allowance for ECLs	(35)	(50)
Total	215,240	169,932

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(8) Credit risk analysis of debt instrument investments

The Group continuously monitors the credit risk profile of the debt instrument portfolios held. At the balance sheet date, the carrying amount (fair value changes and interest accrued excluded) of the debt instruments which are subjected to the measurement of ECLs is listed as follows:

	Notes	30 June 2026	31 December 2025
Credit-impaired		47,039	50,027
Less: Allowance for ECLs	(a)	(19,399)	(24,001)
Subtotal		27,640	26,026
Overdue but not credit-impaired		1,280	123
Less: Allowance for ECLs		(105)	(2)
Subtotal		1,175	121
Neither overdue nor credit-impaired			
– Government		313,774	326,267
– Policy banks		260,575	254,930
– Commercial banks		33,355	46,337
– Other financial institutions		22,282	13,973
– Others		130,420	141,336
Less: Allowance for ECLs	(b)	(938)	(1,023)
Subtotal		759,468	781,820
Total		788,283	807,967

(a) At 30 June 2026, the total allowance for ECLs of the debt investments measured at FVOCI which were credit-impaired, were RMB26 million (31 December 2025: RMB26 million). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(b) At 30 June 2026, the total allowance for ECLs of the debt investments measured at FVOCI which were neither overdue nor credit-impaired, were RMB367 million (31 December 2025: RMB367 million). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(9) Collaterals and other credit enhancement

The Group closely monitors the collaterals corresponding to credit-impaired financial assets, as compared with other collaterals, the Group is more likely to confiscate these collaterals to reduce potential credit losses. At the balance sheet date, the Group's credit-impaired loans and advances to customers and financial investments (fair value changes and interest accrued excluded) and the corresponding exposures covered by collateral are listed as follows:

	30 June 2026			
	Gross amount	Allowance for ECLs	Subtotal	Exposures covered by collateral
Credit-impaired financial assets				
Loans and advances to customers				
– measured at AC	29,856	(18,549)	11,307	20,362
– measured at FVOCI	447	(258)	189	386
Financial investments				
– measured at AC	46,960	(19,399)	27,561	40,483
– measured at FVOCI	79	(26)	53	–
Total	77,342	(38,232)	39,110	61,231

	31 December 2025			
	Gross amount	Allowance for ECLs	Subtotal	Exposures covered by collateral
Credit-impaired financial assets				
Loans and advances to customers				
– measured at AC	29,358	(17,443)	11,915	20,667
– measured at FVOCI	602	(319)	283	413
Financial investments				
– measured at AC	49,948	(24,001)	25,947	43,471
– measured at FVOCI	79	(26)	53	–
Total	79,987	(41,789)	38,198	64,551

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk

Market risk refers to the risk of losses of on-balance sheet and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. The Group's exposures to market risk arise from the trading and non-trading businesses.

The Group's market risk management system consists of the board of directors, senior management, risk management department, capital operation center, technology management department, audit department, other departments, as well as branches, subbranches and the subsidiaries. Senior management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating, periodically evaluating and carrying out relevant policies and procedures for market risk management, so as to ensure the Group can effectively identify, measure, monitor and control a series of market risks assumed by various businesses.

The market risk measurement methods adopted by the Group include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Group to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Group has established a market risk management system in accordance with *the Administrative Measures for Market Risk Management of Commercial Banks* (Decree No.15 in the year of 2025 of the National Financial Regulatory Administration). The Group has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be assumed by the Group.

The Group updates its market risk appetite and limit management system on a regular basis, further improves the market risk management systems and market risk measurement systems. The Group conducts market risk measurement, monitoring and routine management by using the independent market risk management system. The Group performs daily valuation of trading book positions, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

(1) Interest rate risk

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

The objective of the Group's interest rate risk management is to control the interest rate risk of banking book within an acceptable and reasonable range and reduce the fluctuation of net interest income of banking book as well as economic value thereby maximizing the comprehensive income bank-wide.

The Group's interest rate risk management system of banking book consists of the board of directors, senior management, risk management committee, asset and liability management committee, risk management department, asset and liability management department, capital operation center, audit department and other operation and management departments at the head office, as well as branches, sub-branches and subsidiaries. Senior management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Group measures and evaluates the interest rate risk of banking book mainly through price resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. During the reporting period, the Group paid close attention to macroeconomic environment, monetary policy adjustments, aligned with the Group's strategic direction and business development needs, dynamically adjusting repricing gaps, optimizing asset-liability structures, and proactively employing hedging instruments to manage interest rate risks. At the balance sheet date, the interest rate risk of banking book of the Group is within the target limit and the risk is under control as a whole.

Due to fluctuations in market interest rates, the Group's interest margin may increase, or may decrease or even incur losses due to unexpected changes. The Group operates its business in accordance with the deposit and loan interest rate policies of the PBOC.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

(1) Interest rate risk *(Continued)*

The following tables indicate the financial assets and financial liabilities of the Group at the balance sheet date by the expected next repricing date or by maturity date, whichever is earlier.

	30 June 2026						
	Non-interest bearing	Within 1 months	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Financial assets							
Cash and balances with the central bank	819	173,576	–	–	–	–	174,395
Deposits with banks and other financial institutions	36	35,895	2,100	2,300	–	33	40,364
Placements with banks and other financial institutions	63	2,021	712	1,051	5,248	169	9,264
Derivative financial assets	22,160	–	–	–	–	–	22,160
Financial assets purchased under resale agreements	36	165,511	–	200	–	–	165,747
Loans and advances to customers	9,549	267,528	203,093	1,093,642	339,444	55,201	1,968,457
Financial investments							
– measured at FVTPL	137,321	6,922	7,733	61,633	17,394	24,379	255,382
– measured at AC	7,109	27,721	12,247	38,434	244,887	157,481	487,879
– measured at FVOCI	4,632	3,341	9,103	37,389	140,970	117,357	312,792
Other financial assets	7,917	2,697	3,895	34,541	21,685	2,533	73,268
Total financial assets	189,642	685,212	238,883	1,269,190	769,628	357,153	3,509,708
Financial liabilities							
Due to the central bank	(372)	(1,152)	(15,424)	(19,726)	(2,940)	–	(39,614)
Deposits from banks and other financial institutions	(2,142)	(130,644)	(95,731)	(172,126)	–	–	(400,643)
Placements from banks and other financial institutions	(477)	(20,441)	(20,184)	(70,916)	(1,363)	(191)	(113,572)
Financial liabilities at fair value through profit or loss	(142,953)	(20,470)	–	(444)	–	–	(163,867)
Derivative financial liabilities	(31,558)	–	–	–	–	–	(31,558)
Financial assets sold under repurchase agreements	(25)	(57,987)	(679)	(621)	–	–	(59,312)
Customer deposits	(33,300)	(780,770)	(237,895)	(618,707)	(506,625)	–	(2,177,297)
Debt securities issued	(2,103)	(73,029)	(25,952)	(254,446)	(88,473)	(30,000)	(474,003)
Lease liabilities	–	(50)	(99)	(526)	(1,509)	(334)	(2,518)
Other financial liabilities	(14,474)	–	–	–	–	–	(14,474)
Total financial liabilities	(227,404)	(1,084,543)	(395,964)	(1,137,512)	(600,910)	(30,525)	(3,476,858)
Interest rate exposure	(37,762)	(399,331)	(157,081)	131,678	168,718	326,628	32,850

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

(1) Interest rate risk *(Continued)*

	Non-interest bearing	Within 1 month	31 December 2025			After 5 years	Total
			After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years		
Financial assets							
Cash and balances with the central bank	923	124,781	–	–	–	–	125,704
Deposits with banks and other financial institutions	105	55,531	14,414	3,500	17	16	73,583
Placements with banks and other financial institutions	53	4,949	174	676	100	–	5,952
Derivative financial assets	27,551	–	–	–	–	–	27,551
Financial assets purchased under resale agreements	44	90,555	–	–	–	–	90,599
Loans and advances to customers	9,222	536,450	185,870	758,099	325,768	67,828	1,883,237
Financial investments							
– measured at FVTPL	140,703	18,465	4,335	28,933	28,715	8,644	229,795
– measured at AC	7,600	23,502	20,144	55,768	196,043	151,794	454,851
– measured at FVOCI	5,622	3,114	6,846	40,312	206,660	104,307	366,861
Other financial assets	8,427	1,995	9,851	28,074	21,856	2,353	72,556
Total financial assets	200,250	859,342	241,634	915,362	779,159	334,942	3,330,689
Financial liabilities							
Due to the central bank	(294)	(41,578)	(25,478)	(34,856)	–	–	(102,206)
Deposits from banks and other financial institutions	(1,386)	(103,909)	(56,154)	(182,925)	–	–	(344,374)
Placements from banks and other financial institutions	(536)	(27,110)	(19,335)	(69,367)	(904)	(207)	(117,459)
Financial liabilities at fair value through profit or loss	(42,204)	(13,307)	–	(449)	–	–	(55,960)
Derivative financial liabilities	(20,769)	–	–	–	–	–	(20,769)
Financial assets sold under repurchase agreements	(7)	(53,202)	–	–	–	–	(53,209)
Customer deposits	(37,454)	(736,467)	(217,614)	(579,273)	(472,658)	–	(2,043,466)
Debt securities issued	(2,679)	(35,912)	(38,760)	(285,602)	(120,000)	(30,000)	(512,953)
Lease liabilities	–	(94)	(127)	(535)	(1,547)	(388)	(2,691)
Other financial liabilities	(10,457)	(59)	(258)	(38)	–	–	(10,812)
Total financial liabilities	(115,786)	(1,011,638)	(357,726)	(1,153,045)	(595,109)	(30,595)	(3,263,899)
Interest rate exposure	84,464	(152,296)	(116,092)	(237,683)	184,050	304,347	66,790

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

(1) Interest rate risk (Continued)

The Group measures the potential effect of change in interest rates on the Group's net interest income and other comprehensive income by the sensitivity analysis method. The following table sets forth the effect on the Group's net interest income and other comprehensive income from possible and reasonable interest rate fluctuations with all other variables held constant. The effect on net interest income refers to the effect of certain interest rate changes on the net interest income generated by financial assets and liabilities that are held at the end of the year and whose interest rate are expected to be repriced within one year. The effect on other comprehensive income refers to the effect of certain interest rate changes on the fair value change generated by debt investments measured at FVOCI that are held at the end of the year. The following table sets forth the effect on the Group's net interest income and other comprehensive income from interest rate fluctuations with other variables held constant (income tax expense included):

	30 June 2026		31 December 2025	
	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase
Change in interest rate				
Increase by 25 basis points	(870)	(2,791)	(622)	(2,590)
Decrease by 25 basis points	870	2,809	622	2,610

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

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

(2) Foreign exchange risk

The Group's business mainly operates in China and settles in RMB. The tables below show the Group's exposure to currency risk at the balance sheet date with the book values of various financial assets and liabilities converted into RMB.

	30 June 2026				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets					
Cash and balances with the central bank	168,756	5,243	65	331	174,395
Deposits with banks and other financial institutions	32,432	6,093	316	1,523	40,364
Placement with banks and other financial institutions	2,820	5,797	415	232	9,264
Derivative financial assets	17,959	3,671	502	28	22,160
Financial assets purchased under resale agreements	165,747	–	–	–	165,747
Loans and advances to customers	1,930,214	16,854	9,483	11,906	1,968,457
Financial investments					
– measured at FVTPL	241,954	13,237	34	157	255,382
– measured at AC	456,547	22,554	–	8,778	487,879
– measured at FVOCI	222,266	64,282	1,541	24,703	312,792
Other financial assets	70,957	1,973	84	254	73,268
Total financial assets	3,309,652	139,704	12,440	47,912	3,509,708
Financial liabilities					
Due to the central bank	(39,614)	–	–	–	(39,614)
Deposits from banks and other financial institutions	(379,071)	(14,241)	(5,422)	(1,909)	(400,643)
Placements from banks and other financial institutions	(89,846)	(18,720)	(1,783)	(3,223)	(113,572)
Financial liabilities at fair value through profit or loss	(163,867)	–	–	–	(163,867)
Derivative financial liabilities	(27,692)	(3,392)	(453)	(21)	(31,558)
Financial assets sold under repurchase agreements	(57,378)	(1,934)	–	–	(59,312)
Customer deposits	(2,037,244)	(105,314)	(1,780)	(32,959)	(2,177,297)
Debt securities issued	(469,894)	(3,686)	(423)	–	(474,003)
Lease liabilities	(2,504)	–	(14)	–	(2,518)
Other financial liabilities	(14,262)	(118)	(6)	(88)	(14,474)
Total financial liabilities	(3,281,372)	(147,405)	(9,881)	(38,200)	(3,476,858)
Net amount	28,280	(7,701)	2,559	9,712	32,850
Credit commitments and financial guarantee	827,127	17,193	1,675	9,028	855,023

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

(2) Foreign exchange risk (Continued)

	31 December 2025				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	117,638	7,763	55	248	125,704
Deposits with banks and other financial institutions	66,969	4,938	313	1,363	73,583
Placement with banks and other financial institutions	888	5,064	–	–	5,952
Derivative financial assets	22,717	4,703	114	17	27,551
Financial assets purchased under resale agreements	90,599	–	–	–	90,599
Loans and advances to customers	1,844,694	14,319	10,464	13,760	1,883,237
Financial investments					
– measured at FVTPL	228,744	1,051	–	–	229,795
– measured at AC	442,550	11,836	–	465	454,851
– measured at FVOCI	284,118	62,100	1,964	18,679	366,861
Other financial assets	68,441	3,525	140	450	72,556
Total financial assets	3,167,358	115,299	13,050	34,982	3,330,689
Financial liabilities					
Due to the central bank	(102,206)	–	–	–	(102,206)
Deposits from banks and other financial institutions	(318,462)	(10,433)	(4,828)	(10,651)	(344,374)
Placements from banks and other financial institutions	(103,942)	(13,337)	(180)	–	(117,459)
Financial liabilities at fair value through profit or loss	(55,960)	–	–	–	(55,960)
Derivative financial liabilities	(16,411)	(4,237)	(99)	(22)	(20,769)
Financial assets sold under repurchase agreements	(53,066)	(143)	–	–	(53,209)
Customer deposits	(1,915,353)	(100,543)	(1,853)	(25,717)	(2,043,466)
Debt securities issued	(512,953)	–	–	–	(512,953)
Lease liabilities	(2,683)	–	(8)	–	(2,691)
Other financial liabilities	(10,664)	(128)	(12)	(8)	(10,812)
Total financial liabilities	(3,091,700)	(128,821)	(6,980)	(36,398)	(3,263,899)
Net amount	75,658	(13,522)	6,070	(1,416)	66,790
Credit commitments and financial guarantee	804,826	16,160	1,396	9,427	831,809

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

(2) Foreign exchange risk (Continued)

The Group measures the potential effect of changes in foreign exchange rates on the Group's net profit and equity by the sensitivity analysis method. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with other variables held constant (income tax expense included):

	Sensitivity of net profit and equity	
	30 June 2026 (Decrease)/ Increase	31 December 2025 (Decrease)/ Increase
Change in USD exchange rate		
Appreciation against RMB by 100 bps	(58)	(101)
Depreciation against RMB by 100 bps	58	101
Change in HKD exchange rate		
Appreciation against RMB by 100 bps	(15)	(14)
Depreciation against RMB by 100 bps	15	14

The sensitivity analysis is based on the following assumptions:

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

(2) Foreign exchange risk (Continued)

- (vi) no consideration of impact on customers' behavior and market price resulting from exchange rate changes; and
- (vii) the assets and liabilities have a static exchange rate risk structure and no consideration is given to the measures that the Group may take to eliminate the adverse impact of foreign exchange exposure on net profit and equity.

Therefore, the actual results of net profit and equity due to changes in foreign currency exchange rates may differ from the analysis based on such assumptions.

3 Liquidity Risk

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

The objective of the Group's liquidity management is to ensure that the Group's liquidity needs can be met in a timely manner and at a reasonable cost thereby controlling the liquidity risk within an acceptable and reasonable range.

The Group's liquidity risk management system consists of the board of directors, senior management, risk management committee, asset and liability management committee, risk management department, asset and liability management department, capital operation center, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. Senior management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

3 Liquidity Risk *(Continued)*

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity Risk (Continued)

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

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

	30 June 2026							
		On demand/ indefinite	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Financial assets								
Cash and balances with the central bank	-	174,395	-	-	-	-	-	174,395
Deposits with banks and other financial institutions	-	35,395	501	2,117	2,342	-	39	40,394
Placements with banks and other financial institutions	-	-	2,042	720	1,273	5,653	179	9,867
Financial assets purchased under resale agreements	-	-	165,551	-	201	-	-	165,752
Loans and advances to customers	17,028	-	90,723	182,751	865,186	554,162	374,579	2,084,429
Financial investments								
– measured at FVTPL	164	137,321	7,033	7,985	62,934	21,009	35,100	271,546
– measured at AC	23,531	-	4,578	15,087	46,716	273,676	186,314	549,902
– measured at FVOCI	-	1,477	4,141	10,509	43,886	161,856	140,714	362,583
Other financial assets	2,393	6,055	2,693	4,370	18,907	40,267	5,168	79,853
Total financial assets	43,116	354,643	277,262	223,539	1,041,445	1,056,623	742,093	3,738,721

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity Risk (Continued)

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

	30 June 2026					
	Overdue	On demand/indefinite	Within 1 month	After 1 month but within 3 months		After 1 year but within 5 years
				1 month	3 months	
Financial liabilities						
Due to the central bank	-	-	(1,169)	(15,678)	(20,011)	(2,950)
Deposits from banks and other financial institutions	-	(112,033)	(18,895)	(97,014)	(174,571)	-
Placements from banks and other financial institutions	-	-	(20,620)	(20,495)	(71,825)	(1,469)
Financial liabilities at fair value through profit or loss	-	(141,728)	(21,695)	-	(444)	-
Financial assets sold under repurchase agreements	-	-	(58,010)	(682)	(639)	-
Customer deposits	-	(657,650)	(159,807)	(233,359)	(665,552)	(491,489)
Debt securities issued	-	-	(74,129)	(26,433)	(259,625)	(94,938)
Lease liabilities	-	-	(52)	(100)	(538)	(1,664)
Other financial liabilities	-	(13,788)	(90)	(470)	(126)	-
Total financial liabilities	-	(925,199)	(354,467)	(394,231)	(1,193,331)	(592,510)
Net amount	43,116	(570,556)	(77,205)	(170,692)	(151,886)	464,113
						708,982
						245,872

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity Risk (Continued)

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

	31 December 2025					
	Overdue	On demand/ indefinite	Within 1 month	After 1 month but within 3 months		Total
				1 month	3 months	
Financial assets						
Cash and balances with the central bank	-	125,704	-	-	-	125,704
Deposits with banks and other financial institutions	-	50,279	5,273	14,500	3,562	73,652
Placements with banks and other financial institutions	-	-	109	18	887	6,569
Financial assets purchased under resale agreements	-	-	90,617	-	-	90,617
Loans and advances to customers	11,575	-	121,646	181,593	517,395	2,001,104
Financial investments						
- measured at FVTPL	2	140,702	18,473	2,935	23,814	233,129
- measured at AC	19,885	-	4,160	21,230	57,357	510,279
- measured at FVOCI	-	1,464	2,249	5,759	241,908	413,211
Other financial assets	1,805	6,993	2,454	4,386	39,937	79,104
Total financial assets	33,267	325,142	244,981	230,421	921,065	3,533,369

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT (Continued)

3 Liquidity Risk (Continued)

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

	31 December 2025							
		On demand/ indefinite	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
Financial liabilities								
Due to the central bank	-	-	(41,596)	(25,720)	(35,381)	-	-	(102,697)
Deposits from banks and other financial institutions	-	(88,508)	(15,597)	(56,785)	(185,509)	-	-	(346,399)
Placements from banks and other financial institutions	-	(12,007)	(28,082)	(19,921)	(64,392)	(1,069)	(208)	(125,679)
Financial liabilities at fair value through profit or loss	-	(42,204)	(13,307)	-	(449)	-	-	(55,960)
Financial assets sold under repurchase agreements	-	-	(53,212)	-	-	-	-	(53,212)
Customer deposits	-	(578,633)	(172,310)	(230,648)	(604,875)	(489,898)	-	(2,076,364)
Debt securities issued	-	-	(36,200)	(39,914)	(291,666)	(128,555)	(33,132)	(529,467)
Lease liabilities	-	-	(94)	(128)	(549)	(1,710)	(471)	(2,952)
Other financial liabilities	-	(10,289)	(66)	(271)	(186)	-	-	(10,812)
Total financial liabilities	-	(731,641)	(360,464)	(373,387)	(1,183,007)	(621,232)	(33,811)	(3,303,542)
Net amount	33,267	(406,499)	(115,483)	(142,966)	(261,942)	446,161	677,289	229,827

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

3 Liquidity Risk *(Continued)*

(2) Analysis of cash flows of derivative financial instruments

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

The Group's derivatives settled on a net basis mainly include interest rate derivatives. The table below analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a net basis by remaining contractual maturities from the balance sheet date to the contractual maturity date.

30 June 2026						
		After 1 month	After 3 months	After 1 year		
	Within 1 month	but within 3 months	but within 1 year	but within 5 years	After 5 years	Total
Cash inflow/(outflow)	16	(214)	(3,731)	(160)	–	(4,089)

31 December 2025					
	After 1 month	After 3 months	After 1 year		
	Within 1 month	but within 3 months	but within 1 year	but within 5 years	After 5 years
Cash inflow/(outflow)	4,344	(190)	925	(122)	–
					4,957

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

3 Liquidity Risk *(Continued)*

(2) Analysis of cash flows of derivative financial instruments *(Continued)*

The Group's derivative settled on a gross basis mainly include foreign exchange derivatives. The following table analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a gross basis by remaining contractual maturities from the balance sheet date to the contractual maturity date:

	30 June 2026					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash outflow	(149,291)	(128,739)	(311,481)	(14,559)	(70)	(604,140)
Cash inflow	144,663	127,600	311,013	14,664	31	597,971
Net (outflow)/inflow	(4,628)	(1,139)	(468)	105	(39)	(6,169)

	31 December 2025					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash outflow	(187,141)	(106,197)	(308,643)	(13,221)	(6)	(615,208)
Cash inflow	187,253	106,431	309,226	13,261	9	616,180
Net inflow	112	234	583	40	3	972

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

3 Liquidity Risk *(Continued)*

(3) Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items include bank acceptances, letters of credit, letters of guarantee, undrawn credit card limit, corporate loan commitments and finance lease commitments, receivables confirmation and other financial guarantee contracts. The table below shows the liquidity analysis of the Group's off-balance sheet items:

	30 June 2026					
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
		3 months	1 year	5 years		
Bank acceptances issued	50,979	89,314	252,705	–	–	392,998
Letters of credit issued	207,211	29,996	83,811	53	–	321,071
Letters of guarantee issued	4,347	7,676	23,625	8,807	30	44,485
Undrawn credit card facility	21,676	–	–	–	–	21,676
Loan commitments and finance lease commitments	3,735	–	38	831	1,629	6,233
Receivables confirmation and other financial guarantee contracts	8,376	16,883	37,751	5,550	–	68,560
Total	296,324	143,869	397,930	15,241	1,659	855,023

	31 December 2025					
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	Total
		3 months	1 year	5 years		
Bank acceptances issued	100,777	120,660	184,071	–	–	405,508
Letters of credit issued	192,396	29,391	57,219	34	–	279,040
Letters of guarantee issued	4,289	6,428	21,599	10,771	39	43,126
Undrawn credit card facility	19,634	–	–	–	–	19,634
Loan commitments and finance lease commitments	2,741	194	663	1,219	721	5,538
Receivables confirmation and other financial guarantee contracts	11,145	13,974	47,703	6,141	–	78,963
Total	330,982	170,647	311,255	18,165	760	831,809

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XI CAPITAL MANAGEMENT

The core of the Group's capital management is capital adequacy ratio and return on capital. The objective of capital management is to meet external regulatory requirements and shareholders' return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management. The Group prudently determines the objective of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Group ensures the realization of the management objectives.

The Group's business has maintained stable growth in recent years and the assets have become increasingly capital intensive. On 13 February 2026, the People's Bank of China and the National Financial Regulatory Administration jointly released the list of Domestic Systemically Important Banks ("D-SIBs"), designating the Group as a Domestic Systemically Important Bank. Therefore, the Group is furtherly required to meet additional requirements, including the capital surcharge and the additional leverage ratio requirements. In order to ensure that the capital adequacy ratio meets the regulatory requirements and to maximize the returns to shareholders with the risks under control, the Group has actively expanded the capital replenishment channels from external sources, while continuing to improve the self-generating function in operations, so as to replenish capital from internal sources.

At 30 June 2026, the Group has calculated and disclosed capital adequacy ratio in accordance with *the Administrative Measures for Capital of Commercial Banks* (Decree No.4 in the year of 2023 of the National Financial Regulatory Administration), with credit risk-weighted assets measured using the risk-weighted approach, market risk-weighted assets and operational risk-weighted assets measured using the standardized approach.

At 30 June 2026, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio, and capital adequacy ratio all met the requirements of *the Administrative Measures for Capital of Commercial Banks* and other relevant regulations. For more information on capital, please refer to the *2026 Interim Pillar 3 Information Disclosure Report* disclosed on the Bank's website.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS

1 Fair values of financial assets and liabilities

(1) Fair value hierarchy

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities; and

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The tables below analyzes financial instruments, measured at fair value at the balance sheet date, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	30 June 2026			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Derivative financial assets	–	22,160	–	22,160
Loans and advances to customers	–	317,159	1,678	318,837
Financial investments				
– measured at FVTPL	60,178	191,815	3,389	255,382
– measured at AC designated as hedged items in fair value hedge	–	3,298	–	3,298
– measured at FVOCI	–	311,315	1,477	312,792
Total assets measured at fair value on a recurring basis	60,178	845,747	6,544	912,469
Placements from banks and other financial institutions	–	(17,134)	–	(17,134)
Financial liabilities at fair value through profit or loss	(7,247)	(156,620)	–	(163,867)
Derivative financial liabilities	–	(31,558)	–	(31,558)
Total liabilities measured at fair value on a recurring basis	(7,247)	(205,312)	–	(212,559)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

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

(1) Fair value hierarchy (Continued)

	31 December 2025			
	Level 1	Level 2	Level 3	
	fair value	fair value	fair value	
	measurement	measurement	measurement	Total
Derivative financial assets	–	27,551	–	27,551
Loans and advances to customers	–	305,369	2,036	307,405
Financial investments				
– measured at FVTPL	51,374	175,655	2,766	229,795
– measured at AC designated as hedged items in fair value hedge	–	4,870	–	4,870
– measured at FVOCI	–	365,397	1,464	366,861
Total assets measured at fair value on a recurring basis	51,374	878,842	6,266	936,482
Placements from banks and other financial institutions	–	(24,116)	–	(24,116)
Financial liabilities at fair value through profit or loss	(1,619)	(54,341)	–	(55,960)
Derivative financial liabilities	–	(20,769)	–	(20,769)
Total liabilities measured at fair value on a recurring basis	(1,619)	(99,226)	–	(100,845)

(2) Level 1 fair value measurement

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

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

(3) Level 2 fair value measurement

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

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

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

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

(4) Level 3 fair value measurement

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value. The qualitative information regarding the valuation techniques and important unobservable inputs used for level 3 fair value measurement is as follows:

	Fair value at 30 June 2026	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	70	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	2,042	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	1,064	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	198	Net assets analysis	Net assets
– Equity investments	15	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,477	Net assets analysis	Net assets, Liquidity discount
– Loans and advances to customers	1,678	Discounted cash flow method	Risk-adjusted discount rate

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

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

(4) Level 3 fair value measurement (Continued)

	Fair value at 31 December 2025	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	71	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	1,406	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	1,044	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	195	Net assets analysis	Net assets
– Equity investments	50	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,464	Net assets analysis	Net assets, Liquidity discount
– Loans and advances to customers	2,036	Discounted cash flow method	Risk-adjusted discount rate

At the balance sheet date, replacing the original unobservable assumptions with other reasonable unobservable assumptions has no significant impact on the measurement results of fair value. The above assumptions and methods provide a unified basis for the calculation of the fair value of the Group's assets and liabilities. However, due to the different methods and assumptions that may be used by other institutions, the fair values disclosed by different financial institutions may not be completely comparable.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

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

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

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

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2026	2,766	1,464	2,036	6,266
Total gains recognized in profit or loss	131	–	15	146
Total gains recognized in other comprehensive income	–	13	(33)	(20)
Increase	727	–	–	727
Disposals and settlements	(235)	–	(340)	(575)
At 30 June 2026	3,389	1,477	1,678	6,544
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	125	–	(22)	103
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2025	5,133	1,420	11,474	18,027
Total gains recognized in profit or loss	(581)	6	490	(85)
Total gains recognized in other comprehensive income	–	44	(314)	(270)
Increase	45	–	–	45
Disposals and settlements	(1,831)	(6)	(9,614)	(11,451)
At 31 December 2025	2,766	1,464	2,036	6,266
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(607)	–	142	(465)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

2 Transfers between items measured at different levels of fair value

During the reporting period, there were no transfers, between Level 1, Level 2 and Level 3, of the Group's above assets and liabilities which are measured at fair value.

3 Change in valuation techniques and the rationale

During the reporting period, there were no changes in the valuation techniques adopted by the Group for fair value measurement.

4 Financial assets and liabilities not measured at fair value

All financial instruments of the Group are carried at amounts not materially different from their fair value at the balance sheet date except as follows:

30 June 2026					
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC (excluding hedged items)	–	422,091	68,360	490,451	484,581
Financial liabilities					
Debt securities issued	–	476,451	–	476,451	474,003
31 December 2025					
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC (excluding hedged items)	–	384,405	70,578	454,983	449,981
Financial liabilities					
Debt securities issued	–	515,182	–	515,182	512,953

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

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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XIII SUBSEQUENT EVENT

1 Issuance of Undated Additional Tier 1 Capital Bonds

On 5 August 2026, the Bank issued a undated additional tier 1 capital bond of RMB30 billion with an initial interest rate rate of 1.95%.

XIV COMPARATIVE FIGURES

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

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

(In RMB millions, unless otherwise stated)

I ILLUSTRATION OF DIFFERENCES BETWEEN THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRS ACCOUNTING STANDARDS AND THOSE PREPARED IN ACCORDANCE WITH PRC GAAP

There are no differences between the profit attributable to shareholders of the Bank under IFRS Accounting Standards and PRC GAAP for the six months ended 30 June 2026 (for the six months ended 30 June 2025: no differences). There are no differences between the equity attributable to shareholders of the Bank under IFRS Accounting Standards and PRC GAAP at 30 June 2026 (31 December 2025: no differences).

II LIQUIDITY COVERAGE RATIO

	30 June 2026	31 December 2025
Liquidity Coverage Ratio	259.85%	174.01%

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

III INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Chinese Mainland. International claims are local claims in foreign currencies and cross-border claims.

International claims include balances with the central bank, due from banks and other financial institutions, loans and advances to customers, financial assets at fair value through profit or loss, financial assets measured at amortised cost and financial assets at fair value through other comprehensive income.

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

(In RMB millions, unless otherwise stated)

III INTERNATIONAL CLAIMS *(Continued)*

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

		Official	Non-bank private	
	Bank	sector	sector	Total
At 30 June 2026				
Local claims in foreign currencies	10,292	8,716	56,229	75,237
Asia Pacific excluding Chinese Mainland	9,537	10,900	22,578	43,015
– of which attributed to Hong Kong	6,036	1,123	19,954	27,113
Europe	8,304	7,987	7,862	24,153
North America	6,418	42,109	28,787	77,314
Oceania	909	4,918	–	5,827
Africa	–	295	–	295
Total	35,460	74,925	115,456	225,841

		Official	Non-bank private	
	Bank	sector	sector	Total
At 31 December 2025				
Local claims in foreign currencies	8,769	12,385	65,341	86,495
Asia Pacific excluding Chinese Mainland	7,667	5,086	19,761	32,514
– of which attributed to Hong Kong	3,940	1,007	16,945	21,892
Europe	6,079	6,328	2,419	14,826
North America	2,492	20,084	24,812	47,388
Oceania	1,069	5,120	–	6,189
Total	26,076	49,003	112,333	187,412

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

(In RMB millions, unless otherwise stated)

IV CURRENCY CONCENTRATIONS

	USD	RMB Equivalent		Total
		HKD	Others	
At 30 June 2026				
Spot assets	136,033	11,938	47,884	195,855
Spot liabilities	(144,013)	(9,428)	(38,179)	(191,620)
Forward purchases	447,093	1,268	63,482	511,843
Forward sales	(428,706)	(9,848)	(74,550)	(513,104)
Net options position	2,901	(134)	(102)	2,665
Net long/(short) position	13,308	(6,204)	(1,465)	5,639
	USD	RMB Equivalent		Total
		HKD	Others	
At 31 December 2025				
Spot assets	110,596	12,936	34,756	158,288
Spot liabilities	(124,584)	(6,881)	(36,375)	(167,840)
Forward purchases	688,174	–	56,031	744,205
Forward sales	(707,826)	(7,746)	(52,666)	(768,238)
Net options position	(5,114)	(439)	(1,178)	(6,731)
Net (short)/long position	(38,754)	(2,130)	568	(40,316)

V NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in Chinese Mainland with its banking business conducted in Chinese Mainland. At 30 June 2026, the Group's non-bank exposures are substantially arising from businesses with Chinese Mainland corporates and individuals.

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