

Strengthening the Foundation,
Smartly Crafting a New Chapter
Chinese Banking Sector 2025 Review
and 2026 Outlook



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This report is written in the Chinese language 《建基固本 智绘新篇：中国银行业2025年发展回顾及2026年展望》 and translated into English. In the event of any inconsistency, the Chinese version shall prevail.

Foreword

In 2025, at the historic juncture marking the conclusion of the “14th Five-Year Plan” and the beginning of the “15th Five-Year Plan”, China’s banking sector, as the mainstay of the financial system and the “ballast stone” of financial stability, has stayed true to its fundamental mission of serving the real economy, steadfastly guarded against systemic financial risks, proactively aligned with the needs of economic transformation and development, delved into the “Five Major Financial Initiatives”, and continuously expanded financial support to major national strategies, key sectors, and weak links, thereby strongly bolstering Chinese-style modernization. Banking financial institutions have adhered to prudent and compliant operations, seized opportunities arising from the new round of technological revolution and industrial transformation, steadily enhanced their governance, management, and operational performance, advanced high-quality development amid a complex and volatile environment, and delivered a truly commendable performance.

Over the past year, the domestic and international environment facing the banking sector has been marked by both challenges and opportunities. Globally, world economic growth has weakened, monetary policy adjustments among major economies have diverged in their pacing, and geopolitical tensions and trade frictions have persistently disrupted the stability of global industrial and supply chains. Volatility in international capital flows and exchange rates has intensified, while inflationary pressures remain elevated, all of which have impacted banks’ global asset allocation and risk management. At the same time, the accelerated advance of a new round of technological revolution and industrial transformation, epitomized by artificial intelligence, has created major opportunities for banks to cultivate new growth engines, transform business models, and enhance operational quality and efficiency.

On the domestic front, the economy has operated steadily overall, with stability accompanied by progress, and progress marked by qualitative improvement. The economic structure has continued to optimize, new quality productive forces have been cultivated at an accelerated pace, and the role of technological innovation as a new driver of economic growth has steadily strengthened. The major development targets set out in the “14th Five-Year Plan” have been successfully achieved. Fiscal policy has become more proactive and effective, monetary policy has remained moderately accommodative, and macro policies have been coordinated in their efforts. Financial supervision has been continuously strengthened and refined, and the top-level design for the “Five Major Financial Initiatives” has been fully implemented. All these factors have laid a solid foundation for the high-quality development of China’s banking sector. However, the domestic economy is in a period of profound transition, with deep-seated structural contradictions continuing to surface. Weak momentum in consumption and investment persists, while the resolution of risks in the real estate sector, local government debt, and small-and-medium-sized financial institutions still requires intensive efforts. As a result, the banking sector continues to face pressure on revenue, profitability, and asset quality.

In 2025, the banking sector achieved steady and pragmatic development results. By the end of 2025, the total assets in both local and foreign currencies of banking financial institutions rose to RMB480 trillion, a year-on-year increase of 8.0%; the total assets of large commercial banks reached RMB210.8 trillion, with a year-on-year growth rate of over 10%, fully playing a leading and driving role in the industry. Credit extension showed a favorable trend of “rising volume with declining prices”, with outstanding RMB loans nearing RMB272

trillion, up by 6.4% year-on-year; the weighted average interest rate on newly extended corporate loans stood at approximately 3.1%, at a historically low level, effectively reducing financing costs for the real economy. Even more noteworthy was the optimization of the credit structure. The year-on-year growth rates of outstanding loans in both local and foreign currencies extended by banking financial institutions to high-tech enterprises and tech-oriented medium and small enterprises reached 7.5% and 19.8%, respectively, while the share of credit loans rose significantly, indicating that financial support for technological innovation continued to intensify. Meanwhile, the growth rates of outstanding inclusive loans to micro and small enterprises and inclusive agricultural loans exceeded 11% and 10%, respectively, far outpacing the average growth rate of total loans, demonstrating that financial supply to weak links has continued to expand. The technological, green, and inclusive attributes of banks' credit assets have steadily strengthened, providing solid and robust financial support for fostering new quality productive forces, building a modern industrial system, and facilitating economic transformation and upgrading.

While achieving steady business growth, the banking sector, as a whole, maintained stable sources of income, sound asset quality, and ample risk-absorbing capacity. Faced with pressure from persistently narrowing net interest margins, banks proactively pursued transformation by actively expanding into integrated financial services such as investment banking, wealth management, and asset management, which helped boost the contribution of non-interest income and diversify revenue streams. The overall non-performing loan ratio of commercial banks remained stable at around 1.5%, the provision coverage ratio stayed above 200%, the liquidity coverage ratio exceeded 150%, the capital adequacy

ratio stood above 15%, the Core Tier 1 capital adequacy ratio exceeded 10%, and the Tier 1 capital adequacy ratio surpassed 12%, indicating that overall risks remained robust and controllable. In addition, commercial banks continued to enhance their corporate governance and refined management capabilities, resolutely implemented digital transformation strategies, and leveraged advanced technologies such as artificial intelligence to expand customer acquisition, improve operational efficiency, and strengthen risk control, further solidifying their operational resilience and foundation for sustainable development.

The challenges facing the banking sector remain severe. Against the backdrop of weak domestic demand and subdued investment, the future business growth of banking sector still awaits an upward inflection point. Under the long-term trend of narrowing net interest margins, banks' profitability continues to be under pressure, with net interest margins still facing downward pressure, investment yields yet to stabilize and recover, and both return on total assets and return on equity still lagging significantly behind those of their international peers. Although overall risks in the banking sector remain under control, with the economic recovery not yet solid and the resolution of risks in the real estate sector and local government debt still in the deep waters, banks' asset quality may further deteriorate, loss-absorption capacity could marginally weaken, thereby exerting greater pressure on capital replenishment. It is noteworthy that operating performance, asset quality, and risk control capabilities among different types of commercial banks have shown an increasingly pronounced trend of divergence. The pressure on risk disposal for small-and-medium-sized financial institutions is likely to rise further, and there are potential risks of localized incidents spreading and triggering contagion.

Looking ahead to 2026, we maintain a cautiously optimistic view on the development prospects of the banking sector. With the sustained implementation of a more proactive fiscal policy and a moderately accommodative monetary policy, coupled with the steady recovery of the capital market and the gradual revival of household consumption and corporate investment sentiment, demand for banking financial services is likely to resume an upward trajectory. As the strategy of building a financial powerhouse is incorporated into the nation's medium- and long-term development plans, and the top-level design of the "Five Major Financial Initiatives" is fully rolled out, the policy outlook for the banking sector is expected to become more stable and predictable, which will better enable financial entrepreneurs and management to maintain strategic focus and concentrate on strategic priorities. Going forward, the banking sector should continue to anchor its fundamental mission of serving the real economy, intensively implement the "Five Major Financial Initiatives", accelerate the transition from scale expansion to value creation, seize the opportunities presented by the new round of technological and industrial revolutions, strengthen light-asset transformation, digital empowerment, and refined management, optimize asset-liability structures, enhance integrated financial service capabilities in investment, wealth management, and asset management, broaden non-interest income sources, firmly uphold compliance and risk bottom lines, and continuously improve risk control capabilities, asset quality, and capital strength. Only by doing so can the banking sector write a new chapter of high-quality development and contribute greater financial strength to the advancement of Chinese-style modernization.

This report covers five major chapters: 2025 economic and financial sector review, annual performance analysis of listed banks in 2025, observation of listed banks' business in 2025, hot topics, and 2026 macroeconomic and banking outlook. Taking 12 representative domestic commercial banks as samples, the report systematically analyzes their profitability, asset quality, liabilities, and capital strength, comprehensively reviews changes in business development, operating models, and the regulatory environment, and objectively presents the development achievements of China's banking sector in 2025. At the same time, it selects 6 foreign global systemically important banks for comparative analysis, drawing on the best practices of international peers to help Chinese banks clarify their positioning and learn from others' strengths to compensate for their weaknesses. The business observations and hot topics focus on core areas such as improving the quality and efficiency of inclusive finance, resolving real estate credit risks, digital and intelligent transformation of retail business, high-quality development of bank wealth management, and AI-empowered financial innovation, providing in-depth analysis of industry transformation paths and development trends. We firmly believe that this report will provide professional insights and practical references for domestic banks to fulfill their strategic missions, serve the real economy and people's livelihood needs, and achieve high-quality development of their own, helping Chinese banks overcome difficulties and make steady and long-term progress on the journey toward building a financial powerhouse.

18 domestic and foreign banks:

**Table 1: 12 domestic commercial banks
(hereinafter referred to as the “domestic banks”)**

Industrial and Commercial Bank of China (ICBC)

China Construction Bank (CCB)

Agricultural Bank of China (ABC)

Bank of China (BOC)

Postal Savings Bank of China (PSBC)

Bank of Communications (BOCOM)

China Merchants Bank (CMB)

Industrial Bank (CIB)

Shanghai Pudong Development Bank (SPD Bank)

China CITIC Bank (CITIC Bank)

China Everbright Bank Co., Ltd. (CEB)

Ping An Bank (PAB)

**Table 2: 6 foreign systematically important banks
(hereinafter referred to as the “foreign banks”)**

J.P. Morgan Chase & Co (JPM)

Bank of America (BAC)

Wells Fargo (WFC)

Citigroup (Citi)

HSBC

BNP Paribas (BNP)

The data in this report, unless otherwise indicated, are from the annual reports published by the above banks. The balance sheet data of the foreign banks are converted at the respective year-end exchange rate, and the income statement data are converted at the average exchange rate of each year. Unless otherwise specified, the average indexes listed in this report are all arithmetic average indexes of the examples.



2025

Economic and Financial Sector Review

Global economic growth slowed, and monetary policies diverged

In 2025, global economic growth momentum weakened, showing a moderate slowdown. The International Monetary Fund (IMF) estimated that the annual growth rate stood at approximately 3.2%, down from 2024. Growth diverged significantly among major economies: the United States grew by 2.2%, outperforming the average of advanced economies, with the artificial intelligence investment boom and stable consumer markets providing short-term support. However, the problem of industrial hollowing-out became increasingly prominent, as the manufacturing sector's share of GDP fell from 12% a decade ago to 8.5%, and the impact of tariff barriers gradually began to show. The European Union experienced relatively slow growth, with an annual rate of 1.5%, as manufacturing remained persistently weak and the services sector lacked sufficient recovery momentum, while global trade frictions and geopolitical conflicts further suppressed the economic outlook. Japan

saw a modest recovery, driven by rebounds in private consumption, residential investment, and corporate investment, achieving growth of 1.1%.

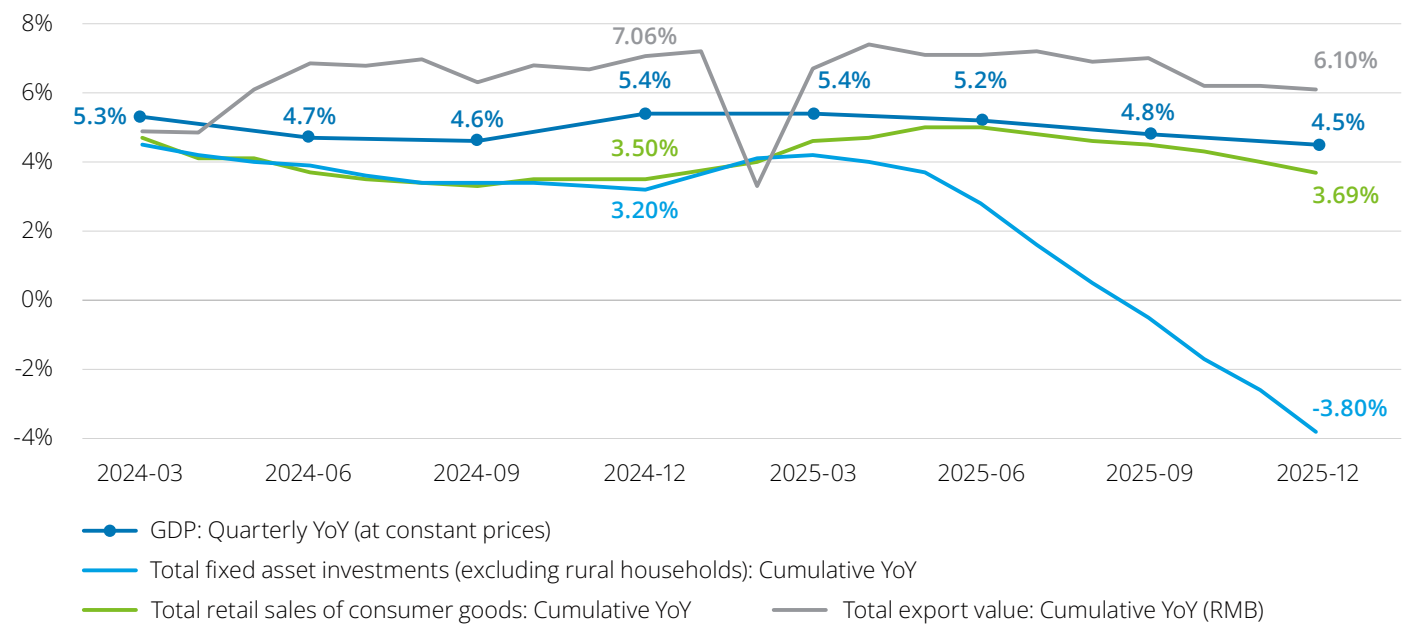
The divergence in global monetary policies further intensified. The U.S. Federal Reserve kicked off the rate-cutting cycle in the third quarter of 2025, with a total of 75 basis points cut over the year and lowering the federal funds rate target range to 3.5%–3.75%. The European Central Bank cut rates intensively four times in the first half of 2025, but entered a policy pause from July onward, turning more cautious and releasing hawkish signals. In contrast, the Bank of Japan tightened monetary policy against the trend, raising its policy rate twice during the year to 0.75%, thereby formally ending the decade-long era of ultra-easy monetary policy.

China's total economic output achieved a new breakthrough, with structural upgrading gathering new momentum

In 2025, faced with a complex and severe external environment, China stepped up counter-cyclical macroeconomic policy adjustments and employed a coordinated policy mix to effectively underpin economic growth. China's gross domestic product (GDP) exceeded RMB140 trillion for the first time, growing by 5.0% year-on-year and meeting the annual target as scheduled. The consumer market expanded steadily, with total retail sales of consumer goods surpassing RMB50 trillion, up by 3.7% year-on-year. Notably, online consumption remained active, with national online retail sales rising by 8.6%; service consumption potential continued to be unleashed, with service retail sales increasing by 5.5%. The investment structure is being optimized toward new drivers of growth. Constrained by the downturn in the real estate sector,

fixed-asset investment fell by 3.8% year-on-year; however, investment in high-tech services—representing new quality productive forces—grew by 3.5% against the trend, accumulating momentum for industrial upgrading. Foreign trade demonstrated strong resilience. The total value of goods imports and exports exceeded RMB45 trillion for the first time in 2025, up by 3.8% year-on-year. Within this total, exports grew by 6.1%, with high-tech product exports rising by 13.2%, and exports to countries of the Belt and Road Initiative increased by 11.2%, effectively offsetting fluctuations in demand from traditional markets. Imports grew by 0.5%, and China maintained its position as the world's second-largest import market for the 17th consecutive year.

Figure 1: Economic Growth in 2025



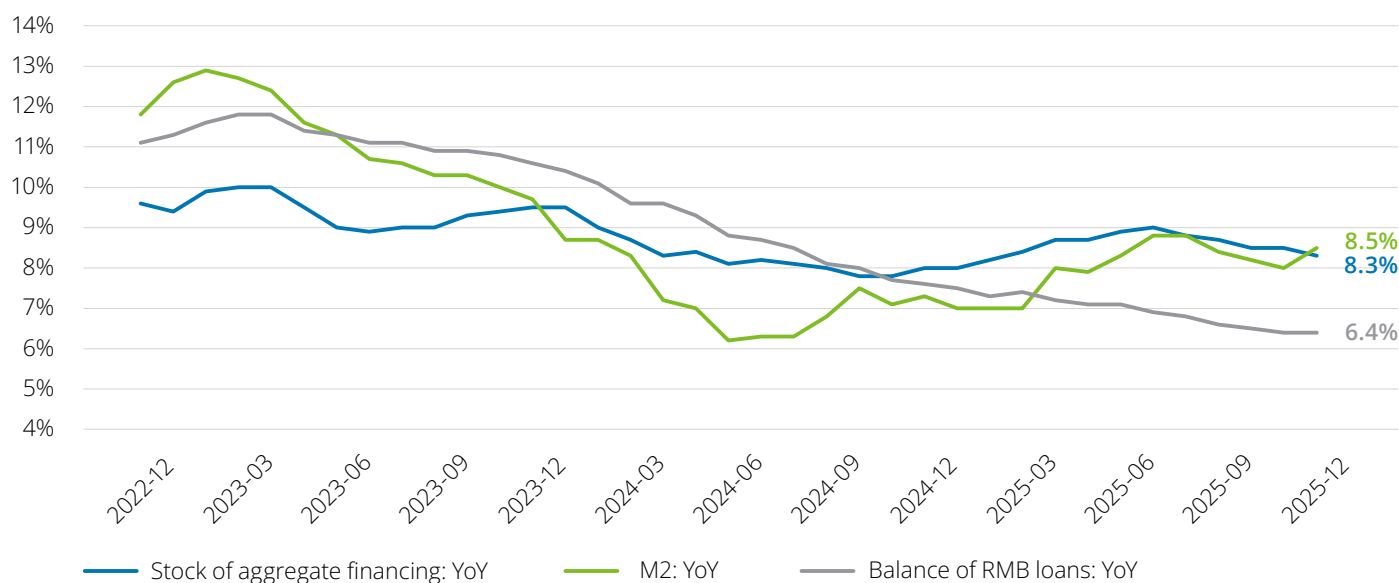
Source: National Bureau of Statistics, Wind

Overall, in 2025, China’s economy achieved both quantitative and qualitative improvement amid structural optimization, as consumption upgraded and expanded, investment pivoted toward new drivers, and exports advanced on multiple fronts, collectively forming a solid underpinning for high-quality development.

Aggregate financial indicators gradually faded, with financing growth decelerating

Aggregate financial indicators reflect the intensity of financial support to the real economy. In the *Monetary Policy Report for Q3 2025*, the People’s Bank of China (PBOC) devoted a special column to “Taking a Scientific View of Aggregate Financial Indicators”. The report noted that during the “14th Five-Year Plan” period, the annual growth rates of total social financing (TSF) and M2 balance averaged around 9% to 10%, exceeding nominal GDP growth. By the end of 2025, China’s RMB loan balance is projected to reach approximately RMB272 trillion (with the year-on-year growth rate declining to 6.4%), while the outstanding TSF stood at RMB449 trillion. As the statistical base expands, the future growth rate of aggregate financial indicators is set to moderate—a trend that is consistent with the economy’s transition from high-speed growth to high-quality development.

As of the end of December 2025, the outstanding aggregate social financing registered a year-on-year growth of 8.3%, while M2 grew by 8.5% over the same period. This marked the first time since December 2023 that TSF growth trailed M2 growth, indicating that although monetary supply remains ample, domestic demand continues to be relatively weak. To expand effective demand, at the outset of 2026, the Ministry of Finance announced six fiscal and financial support measures, with a focus on spurring private investment and boosting household consumption. These measures leverage instruments such as fiscal interest subsidies, financing guarantees, and risk-sharing mechanisms, in coordination with the central bank’s monetary policy, aiming to reduce corporate financing costs and ease the burden on consumer spending, thereby reinvigorating domestic demand.

Figure 2: Aggregate Financial Indicators Saw Slower Growth

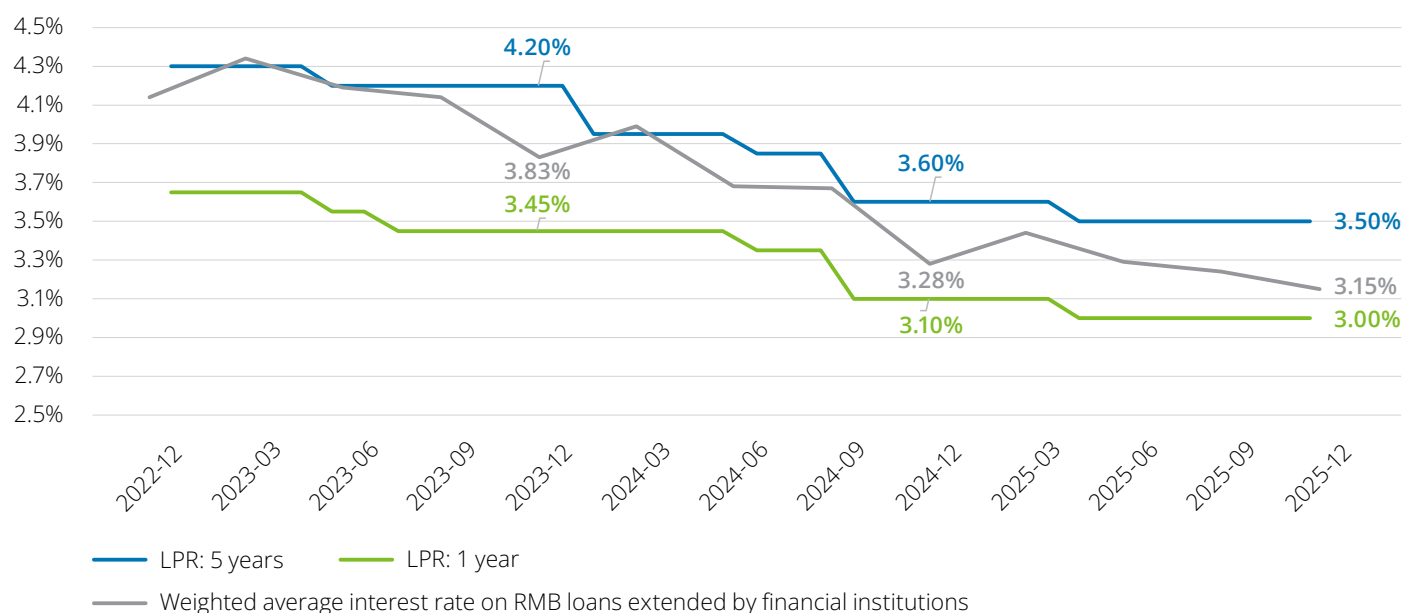
Source: The People's Bank of China

Loan interest rates continued to stay at low levels, while the pace of rate cuts moderated

In 2025, the central bank implemented a moderately accommodative monetary policy, cutting the reserve requirement ratio by 0.5 percentage points and lowering the policy rate by 0.1 percentage points. In May 2025, the policy rate (the 7-day reverse repo rate in open market operations) was reduced from 1.5% to 1.4%, which drove a concurrent 0.1-percentage-point cut in the Loan Prime Rate (LPR) for that month, thereby lowering the overall social financing costs.

Looking back over the full year of 2025, the LPR was cut once. At the end of December 2025, the 1-year and 5-year-over LPR stood at 3.0% and 3.5%, respectively, both down by 0.1 percentage point year-on-year; the weighted average interest rate on new loans was approximately 3.15%, down by about 0.1 percentage point year-on-year. Compared with the three LPR cuts in 2024, the decline in market lending rates moderated in 2025, providing positive support for banks' net interest margin stability and earnings growth.

Figure 3: Loan Rates Remained at Lows



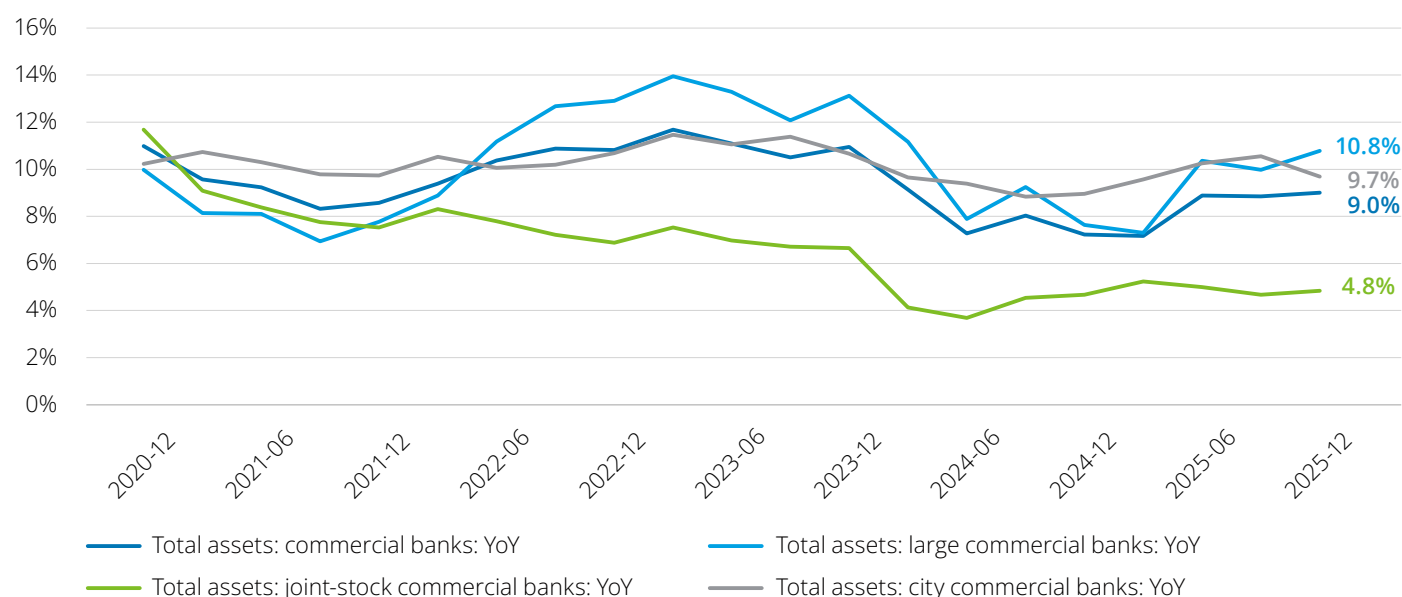
Source: The People's Bank of China, the National Interbank Funding Center, Wind

Asset growth of large banks rebounded, while industry sentiment improved

At the end of Q4 2025, the total assets in both local and foreign currencies of China's banking financial institutions reached RMB480 trillion, up by 8.0% year-on-year. Of this total, commercial banks held RMB414.8 trillion in total assets, growing by 9.0% year-on-year and accounting for 86.4% of the banking financial institutions. Large commercial banks recorded RMB210.8 trillion in assets (local and foreign

currencies), up by 10.8% year-on-year, representing 43.9% of the total. Joint-stock commercial banks posted RMB77.8 trillion, an increase of 4.8% year-on-year, with a share of 16.2%. City commercial banks registered RMB66.0 trillion, up by 9.7% year-on-year, accounting for 13.7%. Notably, the asset growth rate of large banks has picked up markedly and accelerated since the second quarter of 2025.

Figure 4: Large Banks Saw A Rebound in Asset Growth

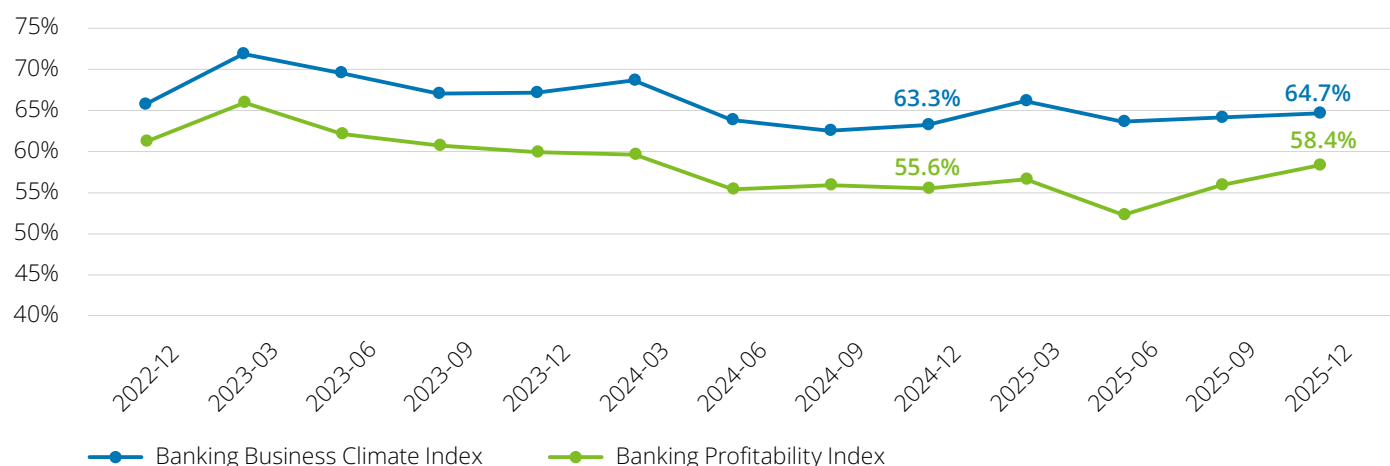


Source: National Financial Regulatory Administration

According to the *Bankers' Questionnaire Survey Report for Q4 2025* released by the People's Bank of China (PBOC), the banking business climate index stood at 64.7% in Q4 2025, while the banking profitability index rose to 58.4%, marking continued improvement from the end of 2024. Over the course of 2025, the banking sector experienced

certain fluctuations due to external factors, before staging a sustained recovery: in the first and second quarters, both the business climate and profitability indices were lower than their year-earlier levels, with a pronounced decline in Q2 in particular; starting from the third quarter, however, the indices began to stabilize and gradually improve.

Figure 5: Banking Business Climate and Profitability Indices Rebound



Source: The People's Bank of China

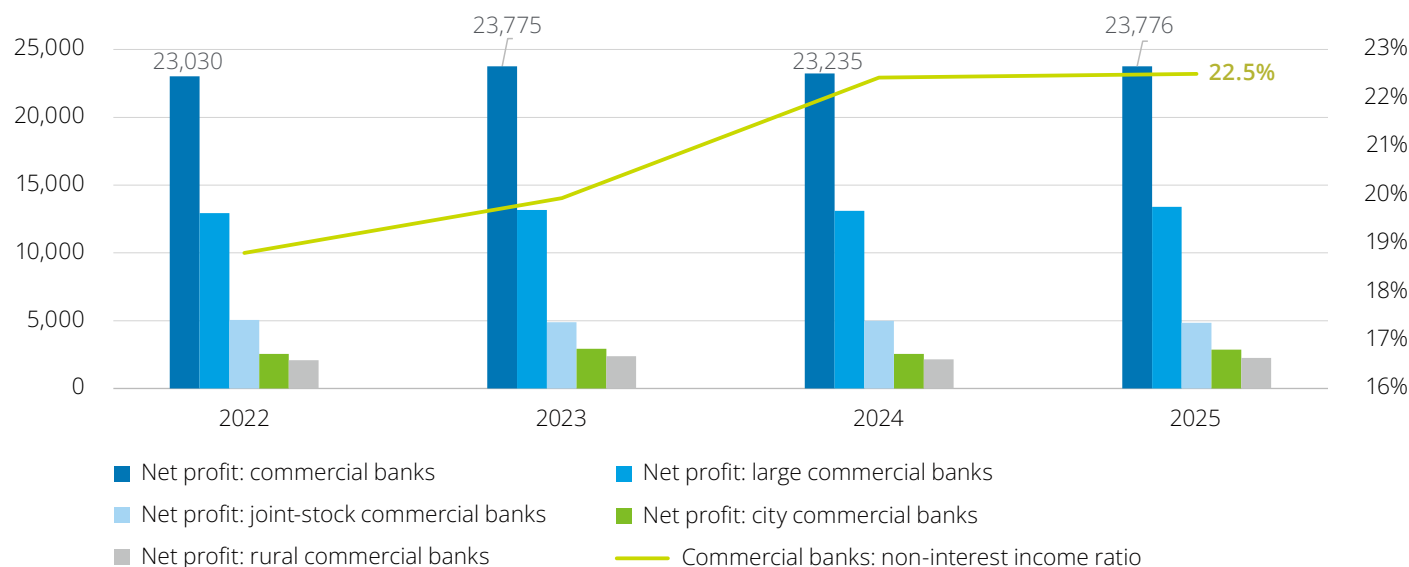
Banking sector net profit growth reversed from negative to positive, with interest spread stabilizing in the near term

In 2025, the Ministry of Finance issued RMB500 billion of special treasury bonds to support four major banks in replenishing their Core Tier-1 capital, thereby reinforcing their capital adequacy and alleviating pressure on interest spread. This, combined with a more moderate pace of interest rate cuts compared with 2024, collectively provided a positive impetus for modest earnings growth in the banking sector. In 2025, commercial banks recorded a cumulative net profit of RMB2.38 trillion, slightly up by 2.3%

year-on-year, a marked improvement from the negative growth registered in 2024 and broadly in line with the level recorded in 2023. The share of non-interest income in commercial banks' revenue rose to 22.5%, edging up by 0.1 percentage point from 2024. Against the backdrop of declining market interest rates, the contribution of non-interest income to banking sector earnings' growth continued to increase.

Figure 6: Banking Net Profit Posted Modest Growth

Unit: RMB100 million

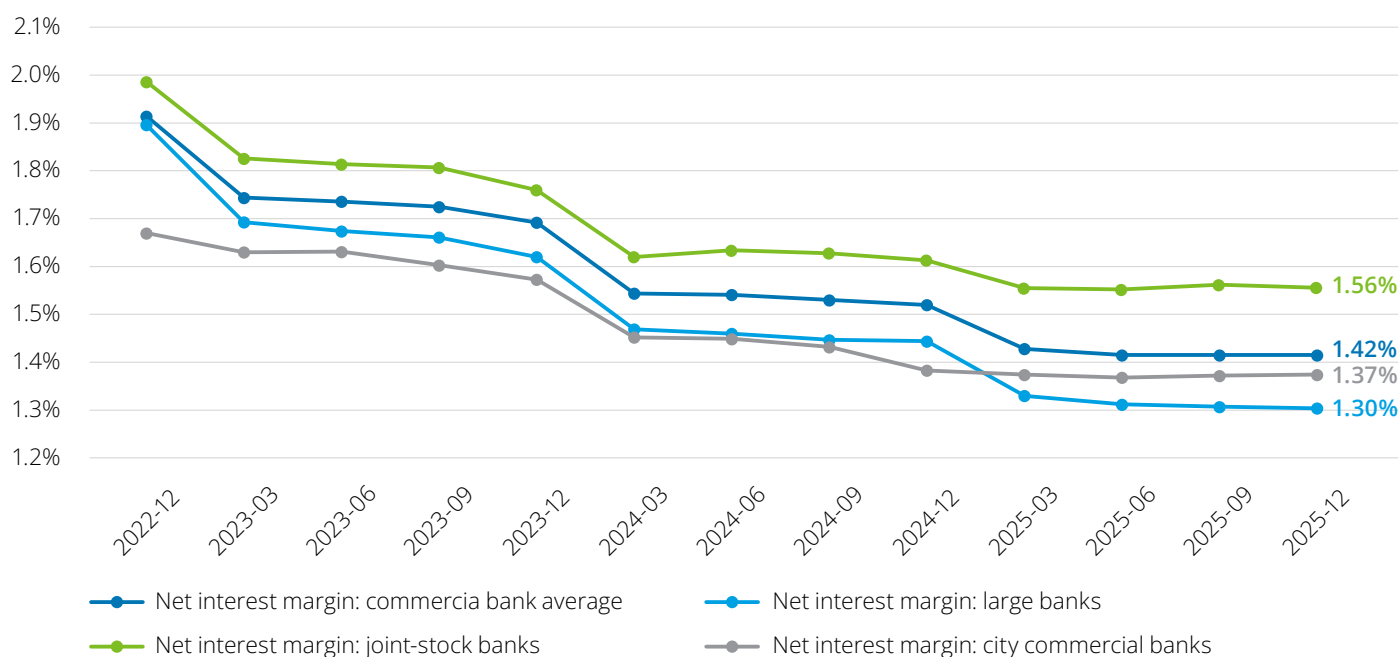


Source: National Financial Regulatory Administration

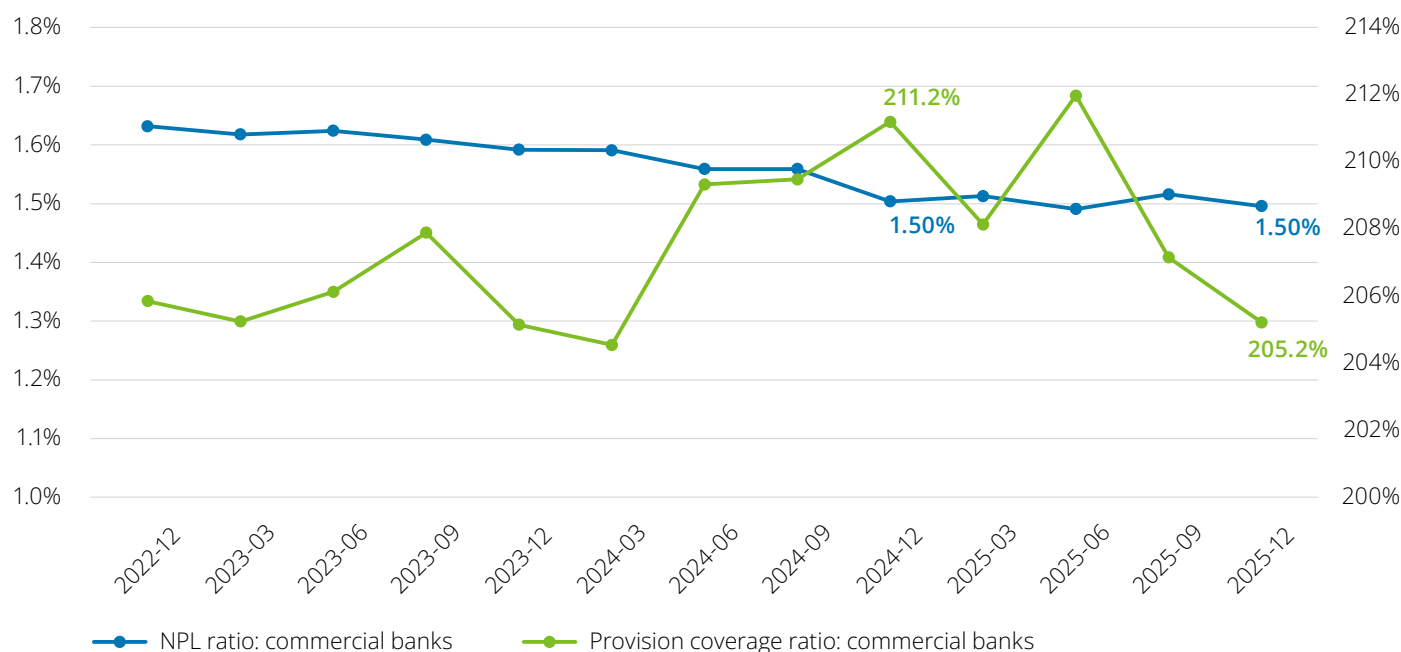
In Q4 2025, the interest spread of commercial banks stood at 1.42%, stabilizing on a quarter-on-quarter basis compared with the third quarter. However, non-performing loans (NPLs) registered a simultaneous increase in both volume and ratio by the end of the third quarter, with the NPL balance rising to RMB3.5 trillion and the NPL ratio climbing to 1.52%. Subsequently, in the fourth quarter, intensified efforts were made in write-offs, collections, and transfers

of distressed assets, bringing the year-end NPL ratio down to 1.50%, unchanged from the level recorded at the end of 2024. The provision coverage ratio stood at 205.2%, down by 6 percentage points from the end of 2024. The dynamic changes in interest spread and the NPL ratio reflect that the banking sector continues to face the dual challenges of narrowing profitability and mounting risk pressures.

Figure 7: Banking Interest Spread Stabilized Temporarily



Source: National Financial Regulatory Administration

Figure 8: The non-performing loan ratio remained flat, while the provision coverage ratio declined

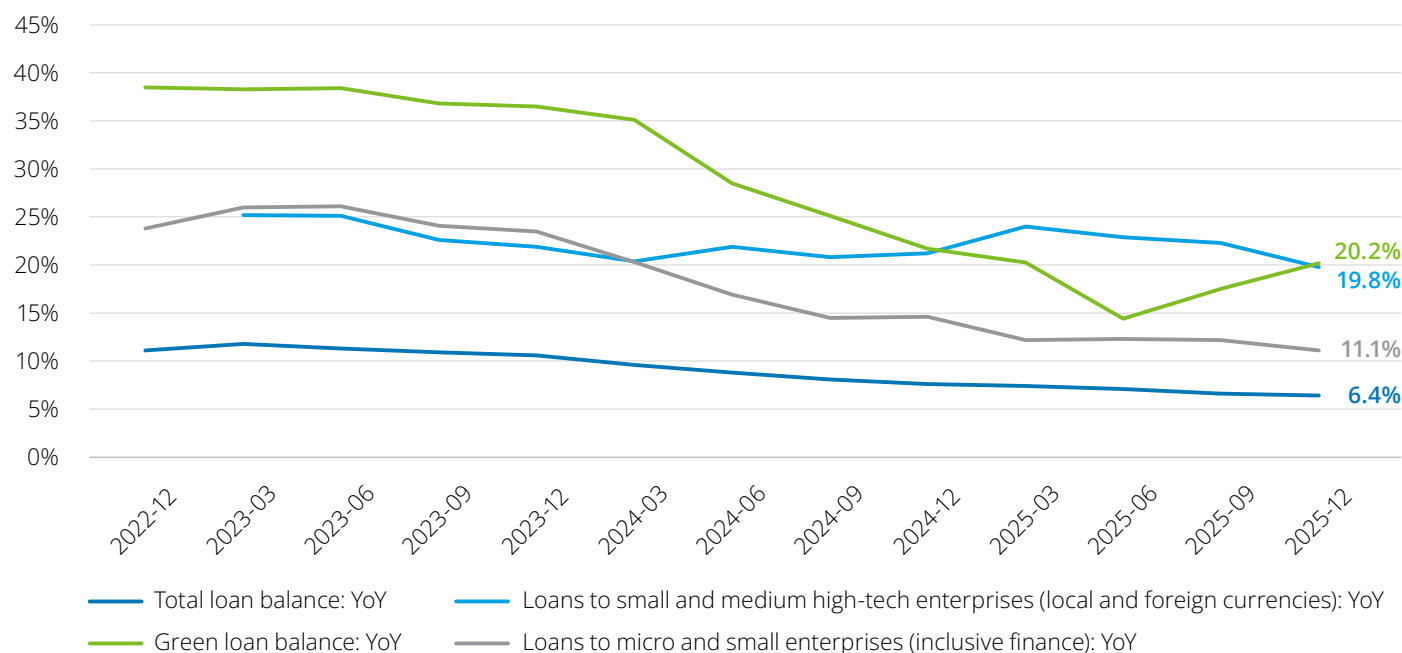
Source: National Financial Regulatory Administration

Loans in “Five Major Financial Initiatives” posted rapid growth

In 2025, PBOC established a comprehensive business management system for the credit market, aimed at comprehensively compiling and organizing indicator data across the five major financial areas (namely technology finance, green finance, inclusive finance, pension finance, and digital finance). According to the published data, as of end of 2025, loans in the technology, green, inclusive, pension industry, and digital economy sectors recorded year-on-year growth of 11.5%, 20.2%, 10.9%, 50.5%, and 14.1%, respectively, all outpacing the overall loan growth rate of 6.4%.

By loan allocation, as at the end of 2025, the outstanding balance of loans in both local and foreign currencies to small, medium and micro high-tech enterprises stood at RMB3.6 trillion, up by 19.8% year-on-year; green loans reached RMB44.8 trillion, growing by 20.2% year-on-year; inclusive loans to micro and small enterprises amounted to RMB36.6 trillion, an increase of 11.1% year-on-year; and loans to the private sector registered RMB70.9 trillion, rising by 5.5% year-on-year.

Figure 9: Loans Continuously Supporting Technology, Green, and Inclusive finance for micro and small enterprises



Source: The People's Bank of China

Efforts to restructure rural financial institutions were stepped up, and the “village-to-sub-branch” model was accelerated and upgraded

In 2025, efforts to reform and mitigate risks at small-and-medium-sized financial institutions were significantly intensified, leading to a sharp reduction in the number of rural financial institutions. According to the list of legal entities of banking financial institutions published by the National Financial Regulatory Administration (NFRA), the number of rural financial institution legal entities fell by 222 in the first half of 2025 compared with the end of 2024, of which village banks decreased by 98. The participants in the reform of village banks have expanded from city commercial banks and rural commercial banks to large state-owned banks: ICBC, ABC, and BOCOM have successively merged several of their village banks into direct sub-branches.

Public data showed that in 2025, a total of 310 village banks completed market exit, as the pace of industry clean-up continued to intensify. Village banks may be phased out

of the historical stage, while the participation of large state-owned banks was expected to expand the coverage of inclusive finance, stabilize customer confidence, and support rural revitalization and financial stability. In addition, there were various other models, such as the establishment of provincial-level rural commercial banks (under a unified legal person model in provinces including Henan, Inner Mongolia, Jilin, and Xinjiang) and rural commercial united banks (in Jiangxi, Jiangsu, Guizhou, and others), which helped optimize the number of institutions and effectively resolve risks. The reforms not only enhanced the risk-resilience of financial institutions, but also provided stronger financial support for serving the real economy and promoting rural revitalization. As more provinces clarify their reform directions in 2026, the reform of small-and-medium-sized financial institutions will continue to advance in depth.

Establishment of the “1+5” Institutional Framework for the “Five Major Financial Initiatives”

On 5 March 2025, the General Office of the State Council issued the *Guidelines on Advancing the Five Major Financial Initiatives*, establishing the top-level institutional framework for these initiatives, with the goal of achieving notable results in the development of the five major financial initiatives by 2027, and continuously improving the financing accessibility for major strategic areas, key sectors, and weak links, as well as the alignment between the supply and demand of financial products and services. In line with

these guidelines, the implementation plans for high-quality development in the five major financial initiatives (namely, technology finance, green finance, inclusive finance, pension finance, and digital finance) were all formally released in 2025, forming a “1+5” institutional framework system. The People’s Bank of China and the National Financial Regulatory Administration coordinated and advanced the financial service capabilities and support intensity for the five major financial initiatives.

Table 1: Completion of the Institutional Framework for the Five Major Financial Initiatives in 2025

Sector	Policy Document	Main Content and Requirements	Issuing Authorities
Technology Finance	<i>Implementation Plan for High-Quality Development of Technology Finance in the Banking and Insurance Industries</i> (April 2025)	Guide financial institutions to further strengthen full-life-cycle financial services for technology-based enterprises, and support the achievement of high-level scientific and technological self-reliance and the building of a strong science and technology nation.	NFRA, MOST, NDRC
Green Finance	<i>Implementation Plan for High-Quality Development of Green Finance in the Banking and Insurance Industries</i> (January 2025)	Focus on deepening financial supply-side structural reform, and enhance the adaptability of financial services to green high-quality development.	NFRA, PBOC
Inclusive Finance	<i>Implementation Plan for High-Quality Development of Inclusive Finance in the Banking and Insurance Industries</i> (June 2025)	Optimize the inclusive financial service system; consolidate and enhance the inclusive credit system and capacity; strengthen the inclusive insurance system, among other measures.	NFRA, PBOC
Pension Finance	<i>Implementation Plan for High-Quality Development of Pension Finance in the Banking and Insurance Industries</i> (March 2025)	Banking and insurance institutions deeply participate in the development of the multi-tiered, multi-pillar pension insurance system; increase financial support for the silver economy, among other measures	NFRA
Digital Finance	<i>Implementation Plan for High-Quality Development of Digital Finance in the Banking and Insurance Industries</i> (December 2025)	Improve governance mechanisms; empower financial services; leverage the leading role of new technologies; unlock the potential of data elements; strengthen risk prevention and control; and advance the digital and intelligent transformation of supervision, among other measures.	NFRA

Source: The People’s Bank of China, the National Financial Regulatory Administration, Deloitte’s financial research

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Annual Performance Analysis of Listed Banks in **2025**

2.1

Profitability

2.2

Assets

2.3

Liabilities

2.4

Capital position

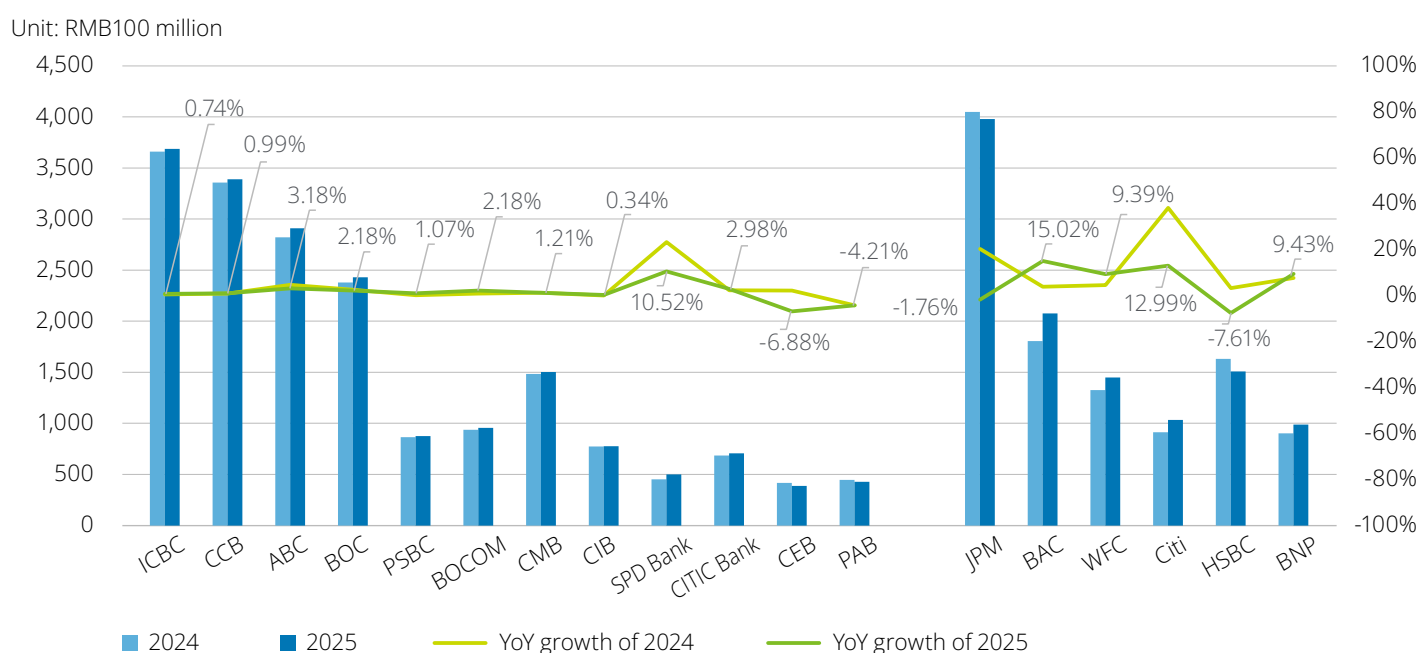
2.1 Profitability

Profits remained stable for state-owned banks, joint-stock banks remained under pressure, while profit growth of foreign banks diverged

In 2025, domestic banks' net profits attributable to shareholders of the parent companies totaled RMB1.85 trillion, an increase of RMB27.2 billion or 1.49% year-on-year. Among them, all state-owned banks recorded positive growth, while joint-stock banks showed a divergent performance. Except for SPD Bank, which posted a 10.52% increase, the other domestic banks all registered single-digit growth, with only ABC's exceeding a 3% increase. CEB's and PAB's fell by 6.88% and 4.21%, respectively.

In 2025, with the Federal Reserve and the European Central Bank cutting rates at a moderate pace, the growth of net interest income slowed. Foreign banks' net profits attributable to the shareholders of the parent companies totaled RMB1.10 trillion, an increase of RMB40.4 billion year-on-year, representing an overall growth rate of 3.80%. Foreign banks showed a divergent pattern, with BAC's and Citi's both posting growth of over 10%, while HSBC's and JPM's exhibited a declining trend, with HSBC's recording a decrease of 7.61%.

Figure 1: Net Profit Attributable to the Shareholders of the Parent Company

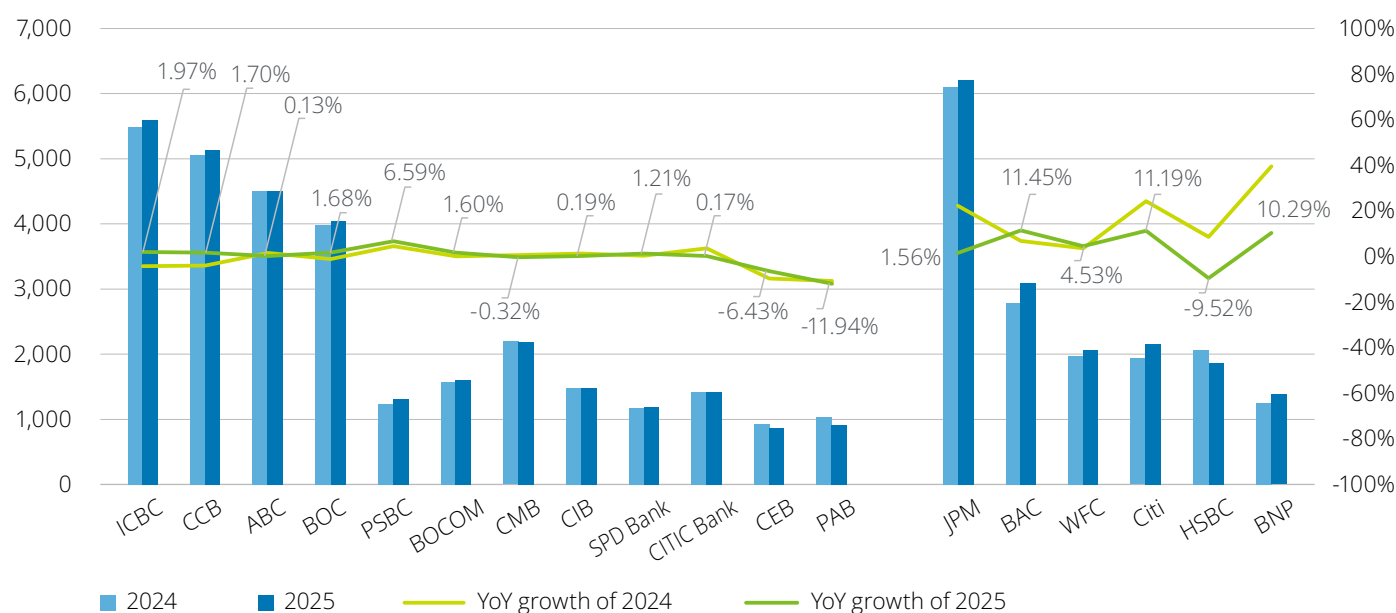


In 2025, domestic banks' pre-provision operating profit (PPOP) recorded a modest increase, totaling RMB3.03 trillion, up by RMB20.2 billion or 0.67% year-on-year. PSBC achieved a notable rise in PPOP, driven by growth in non-interest income, with an increase of 6.59%, while PAB's and CEB's PPOP declined by 11.94% and 6.43%, respectively. Both ICBC and CCB reversed their 2024 declines and posted modest growth in PPOP.

In 2025, foreign banks' PPOP reached RMB1.68 trillion, up by RMB65.2 billion or 4.05% year-on-year. BAC, Citi, and BNP all posted a PPOP increase of more than 10%. Foreign banks' PPOP and net profits attributable to shareholders of the parent companies are broadly in the same change trend, except for JPM. BNP and JPM saw their PPOP grow at a faster rate than their net profits attributable to shareholders of the parent companies.

Figure 2: PPOP

Unit: RMB100 million



Note: PPOP = pretax profits + asset impairment loss + credit impairment loss

Domestic banks' profitability marginally declined; foreign banks outperformed on key earnings metrics

Domestic banks' profitability remained stable generally, with their yield indicators trending down

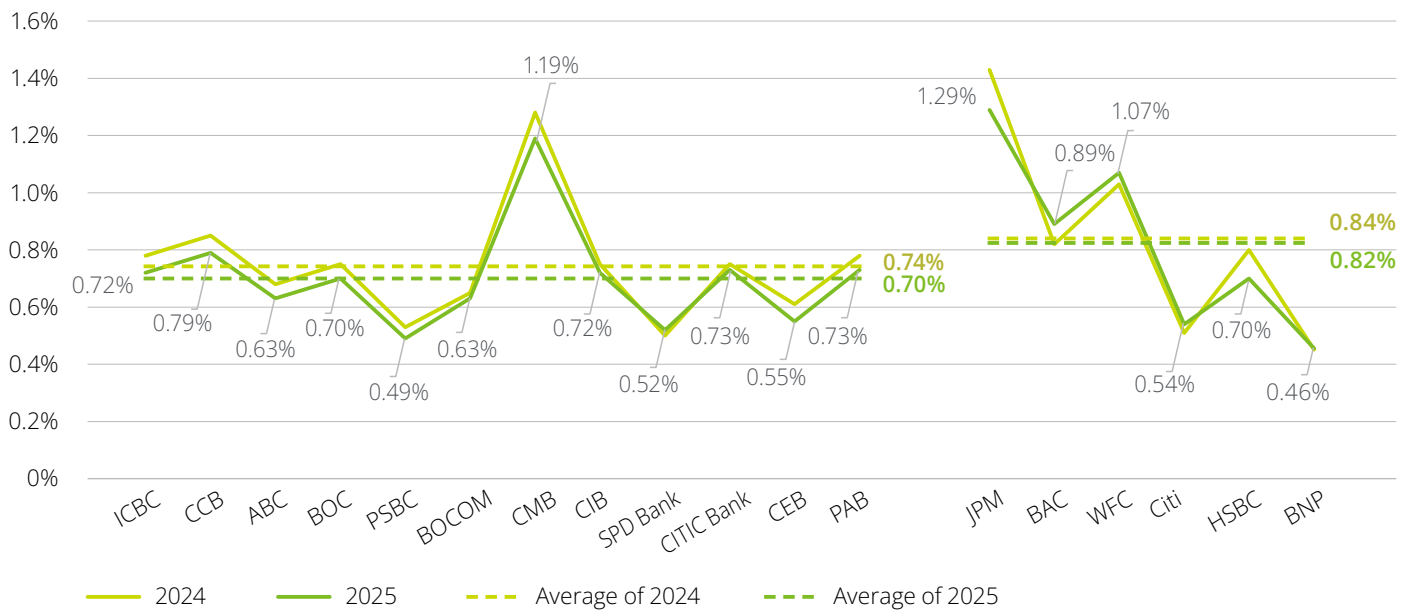
In 2025, domestic banks' main profitability indicators trended down generally, while foreign banks' indicators diverged. The main profitability indicators of foreign banks trended upward, except for JPM and HSBC.

In 2025, domestic banks' return on total assets ("ROA") decreased, averaging 0.70%, down by 0.04 percentage points year-on-year, with all domestic banks except SPD Bank recording a decline in ROA. CMB posted an ROA of 1.19% in 2025, significantly higher than other domestic banks. The average ROA of foreign banks was 0.82%, down by 0.02 percentage points year-on-year.

Domestic banks' return on equity ("ROE") was 9.21%, down by 0.61 percentage points year-on-year, with all domestic banks except SPD Bank experiencing a decline. CMB reported an ROE of 13.42% in 2025, markedly outperforming other domestic banks. The average ROE of foreign banks was 11.58%, up by 0.11 percentage points year-on-year.

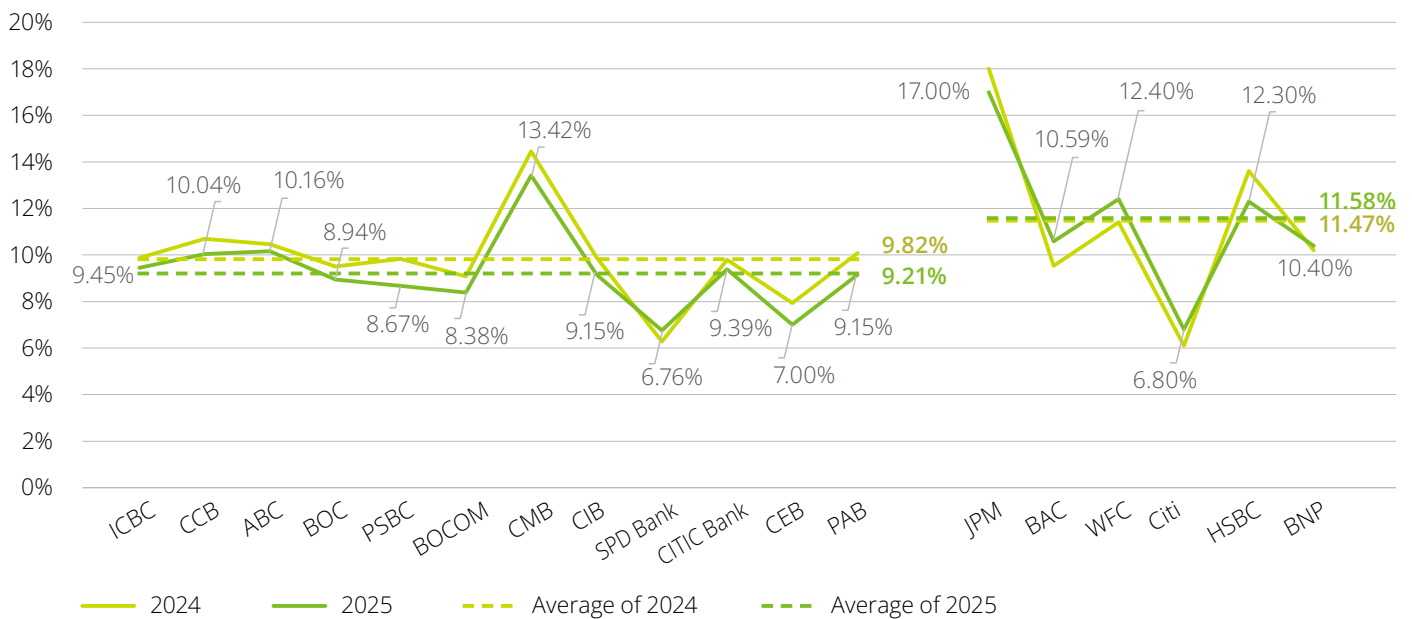
Overall, the ROA and ROE of domestic banks continued to decline, mainly due to the persistent narrowing of interest spread under policy guidance. In contrast, foreign banks saw a slight decrease in ROA but a modest increase in ROE, with both indicators remaining higher than those of domestic banks on the whole.

Figure 3: ROA



Note: BNP did not disclose its ROA, and the data was the result of net profit/average total assets.

Figure 4: ROE

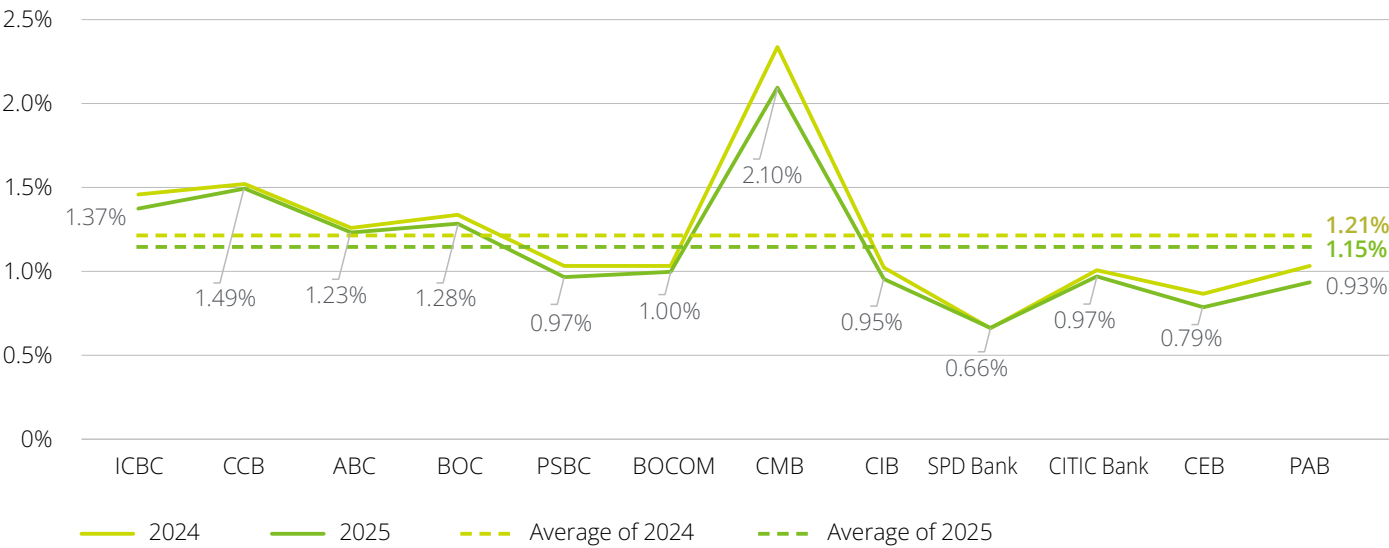


Note: BNP did not disclose its ROE, and the data was the result of net profit/average net assets.

In 2025, the average return on risk-weighted assets (RORWA) of domestic banks stood at 1.15%, down by 0.06 percentage points year-on-year. Except for SPD Bank, which remained flat compared with the previous year, all other domestic banks recorded declines of varying magnitudes. Among them, CMB saw a decrease of 0.24 percentage points, while PAB declined by 0.10 percentage points.

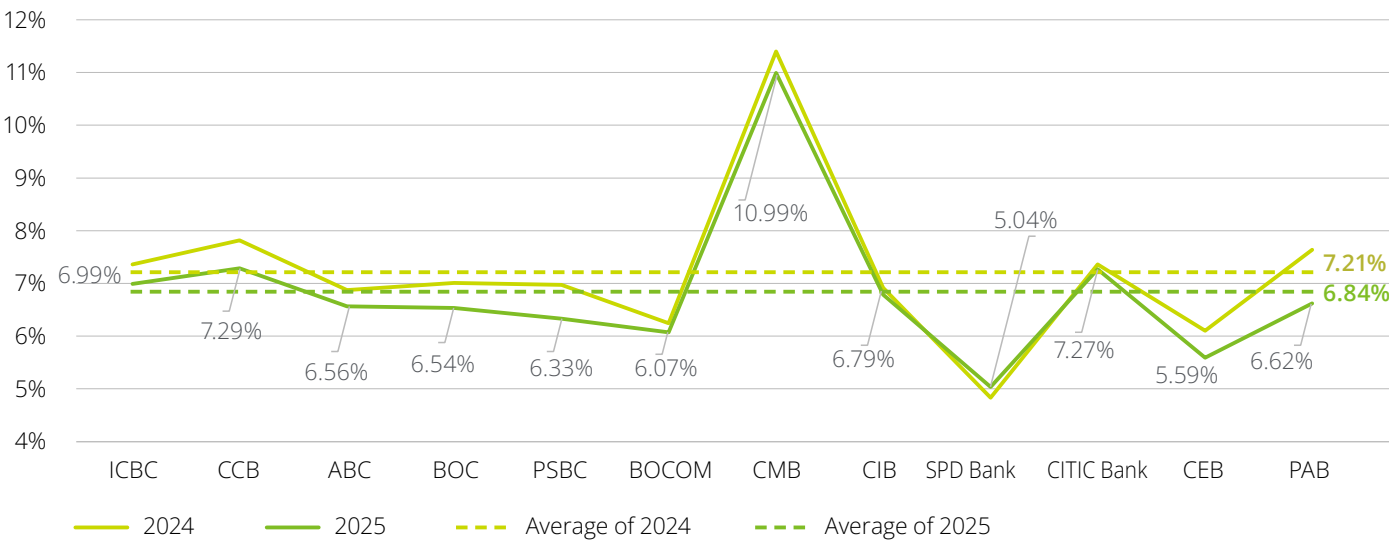
In 2025, the average risk-adjusted return on capital (RAROC) of domestic banks stood at 6.84%, down by 0.37 percentage points year-on-year. Except for SPD Bank, which posted an increase of 0.21 percentage points, all other domestic banks recorded a decline in RAROC. Benefiting from its capital-light business advantages, CMB, despite a decrease of 0.41 percentage points, still maintained a significantly higher RAROC than that of the large state-owned banks and other commercial banks.

Figure 5: RORWA



Note: RORWA = net profit/ average risk-weighted assets

Figure 6: RAROC



Note 1: RAROC = net profit/net capital

Note 2: For ICBC, CCB, ABC, BOC, BOCOM and CMB, it was the RAROC under the Advanced Measurement Approach.

Cost reduction and efficiency improvement pressure still existed; per capita net profit stabilized

In 2025, the average per capita net profit of domestic banks stood at RMB896,800, remaining largely flat year-on-year. Overall, domestic banks were still pressed to reduce costs and improve efficiency. The average per capita net profit of joint-stock banks was RMB1,011,400, significantly higher than the RMB782,300 recorded for major state-owned banks. Among joint-stock banks, CMB recorded the highest per capita net profit at RMB1,243,000; only SPD Bank and

CIB posted increases from the previous year, with growth rates of 11.37% and 0.11%, respectively. Among major state-owned banks, PSBC and ABC reported per capita net profit of RMB445,300 and RMB637,800, respectively, which were substantially lower than their peers, due to their expansive outlets in towns and villages, a large number of employees, and business structures. ABC and ICBC saw per capita net profit increase by 2.60% and 2.37%, respectively, indicating the effect of their measures to reduce costs and improve efficiency.

Figure 7: Per Capita Net Profit

Unit: RMB10,000

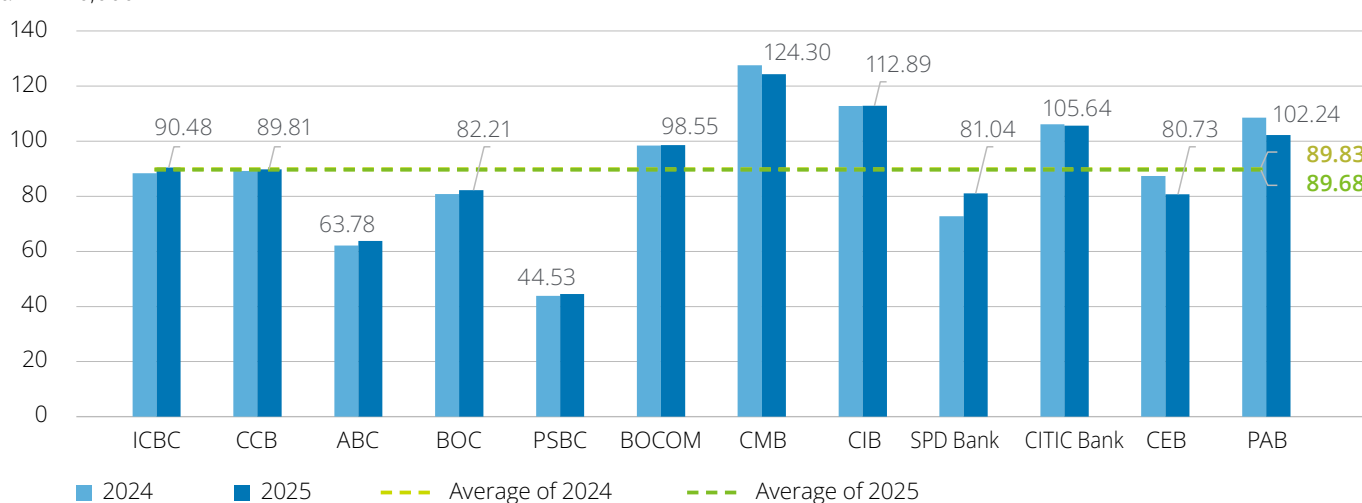


Table 1: Net Profit and Total Employees

Unit: RMB100 million/10,000 people

Item	ICBC	CCB	ABC	BOC	PSBC	BOCOM	CMB	CIB	SPD Bank	CITIC Bank	CEB	PAB
Net profit in 2025	3,708	3,398	2,920	2,579	876	965	1,511	779	504	715	391	426
Net profit in 2024	3,669	3,363	2,827	2,527	867	942	1,496	775	458	695	419	445
YoY increase	39	35	93	52	9	23	15	4	46	20	(28)	(19)
Employees at the end of 2025	40.98	37.83	45.78	31.37	19.68	9.79	12.16	6.90	6.22	6.77	4.85	4.17
Employees at the end of 2024	41.52	37.68	45.47	31.28	19.76	9.57	11.72	6.87	6.30	6.55	4.80	4.10
YoY increase	(0.54)	0.15	0.31	0.09	(0.08)	0.22	0.44	0.03	(0.08)	0.22	0.05	0.07

Domestic banks' total operating income swung from decline to growth, with non-interest income making a notable contribution

In 2025, the total operating income of domestic banks reached RMB4.80 trillion, up by RMB64 billion year-on-year, representing an overall growth of 1.35% and reversing the negative growth trend of the previous year. Major state-owned banks recorded total operating income of RMB3.60 trillion, with an overall growth rate of 2.44%, all achieving positive growth. Joint-stock banks posted total operating income of RMB 1.20 trillion, with an overall decline of 1.79%, among which PAB saw a decrease of over 10%.

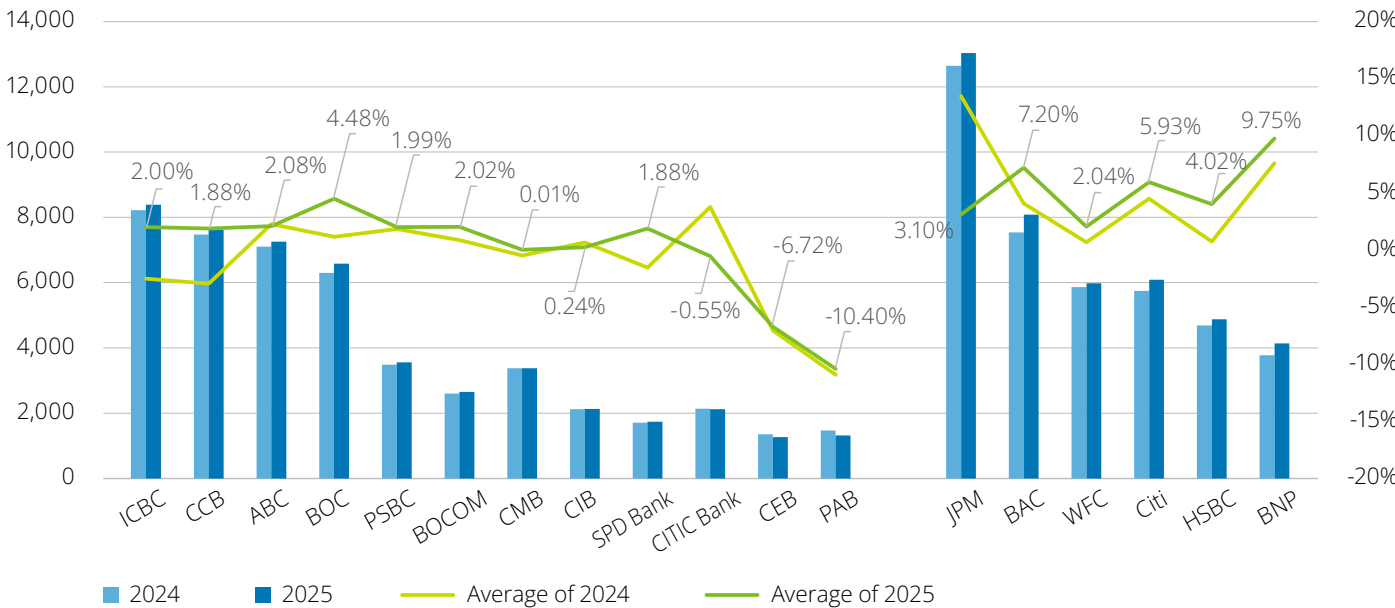
Foreign banks achieved total operating income of RMB 4.22 trillion, up by RMB 195 billion year-on-year, an overall growth

of 4.85%, among which BNP recorded a growth rate of 9.75%, mainly driven by a significant increase in income from strategic investments.

Overall, since 2025, the domestic Loan Prime Rate (LPR) continued to decline. While the narrowing of the net interest margin led to a decrease in net interest income. However, non-interest income grew notably, and its share in total operating income steadily increased. The pace of overseas central banks' rate cuts tended to be stable, leading to a rise in net interest income, and overall operating income still exhibited a growth trend.

Figure 8: Operating Income

Unit: RMB100 million



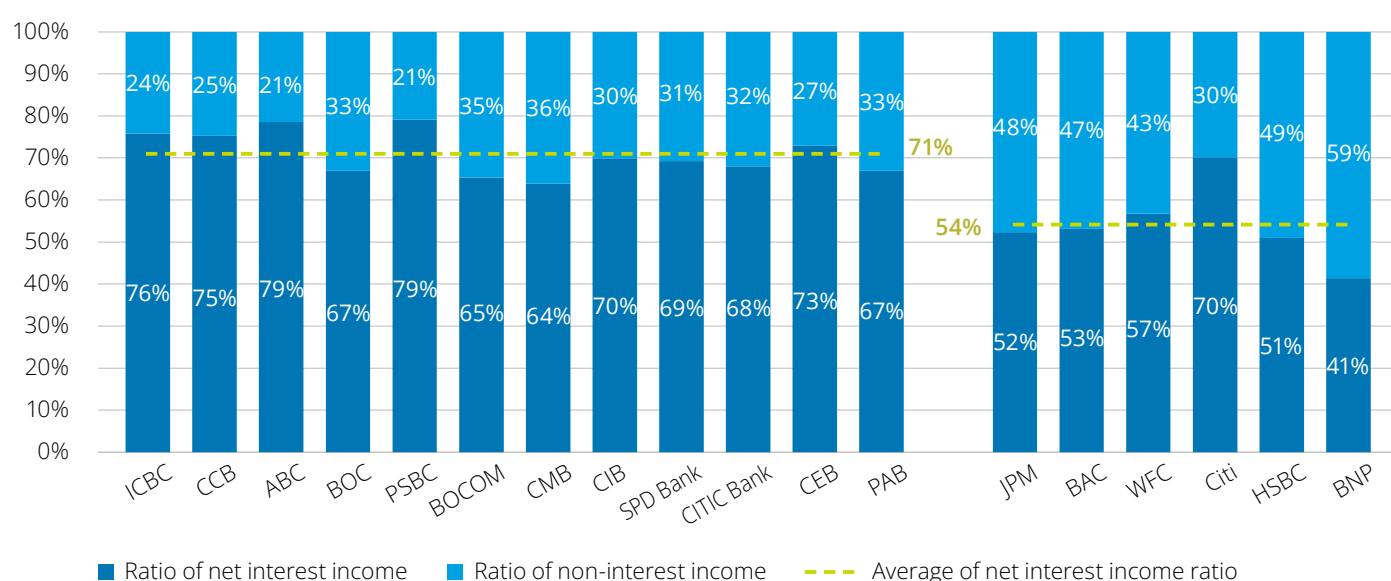
Note: The operating income of BAC, WFC, Citi, and HSBC contained credit impairment loss.

Regarding the income structure, the average ratio of domestic banks' net interest income in their overall operating income ("net interest income ratio") was 71%, essentially flat year-on-year. For major state-owned banks, the average net interest income ratio was 73%, down by 3 percentage points. Among them, ABC and PSBC both recorded ratios as high as 79%, while BOCOM posted the lowest ratio among the major state-owned banks at 65%. The average net interest income ratio of joint-stock banks was 68%, up by 2 percentage points from the previous year,

and remained lower than that of the major state-owned banks overall.

The average net interest income ratio of foreign banks stood at 54%, significantly lower than that of domestic banks, indicating a comparative advantage in non-interest business. Among them, BNP recorded a net interest income ratio of only 41%, mainly attributable to the relatively high proportion of financial investment income and insurance business revenue.

Figure 9: Operating Income Structure in 2025



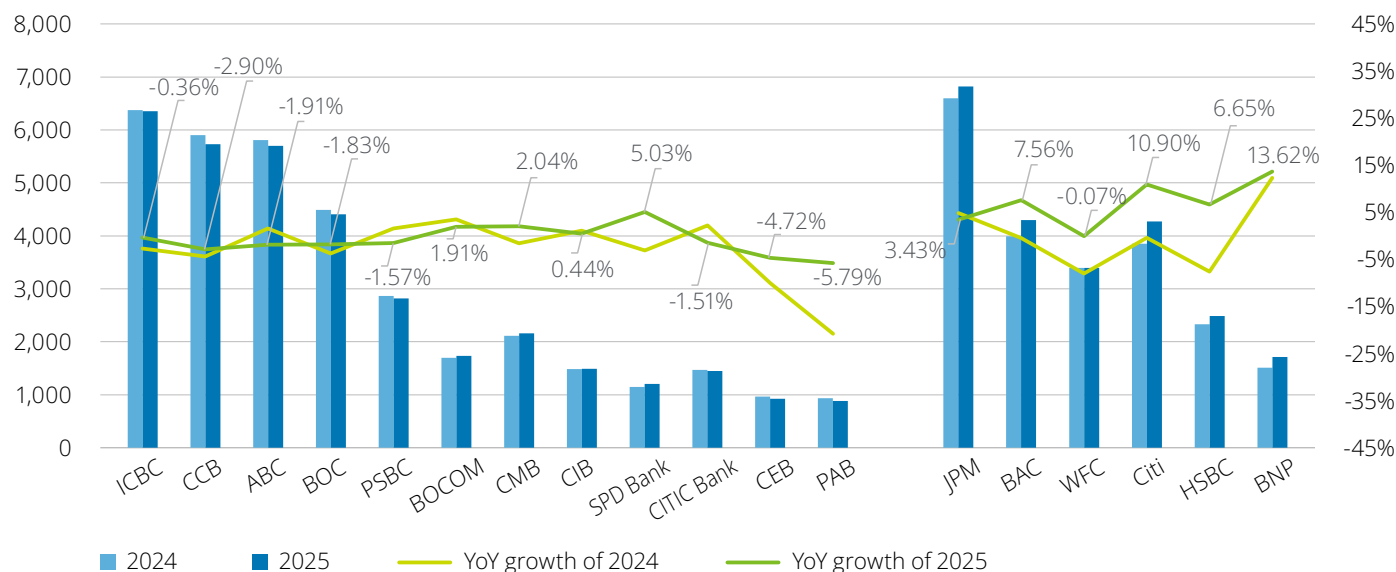
Loan interest rates continued to decline; banks' net interest income pressure furthered

In 2025, the total net interest income of domestic banks reached RMB3.48 trillion, down by RMB41.4 billion year-on-year, a decline of 1.18%. The year-on-year decline narrowed quarter-by-quarter throughout 2025. Except for SPD Bank, CMB, BOCOM, and CIB, which recorded positive growth, the other domestic banks all experienced modest year-on-year decreases. In May 2025, the 1-year and over-five-year LPRs were both cut by 10 basis points, which kept pushing down loan yields. However, as the cumulative repricing effects from the multiple LPR cuts in 2024 were gradually released in the first half of 2025, the negative growth trend in domestic banks' net interest income moderated.

The net interest income of foreign banks totaled RMB2.30 trillion, up by RMB0.13 trillion year-on-year, representing an increase of 6.03%. Except for WFC, the other five banks all recorded significant growth in net interest income, mainly benefiting from the continuation of the high-interest rate environment abroad, the expansion of interest-earning assets, and the ongoing optimization of deposit costs. Both asset growth and the resilience of net interest margins contributed to the rise in interest income jointly. Affected by the rapid repricing of retail credit assets in the short term, WFC's net interest income edged down year-on-year.

Figure 10: Net Interest Income

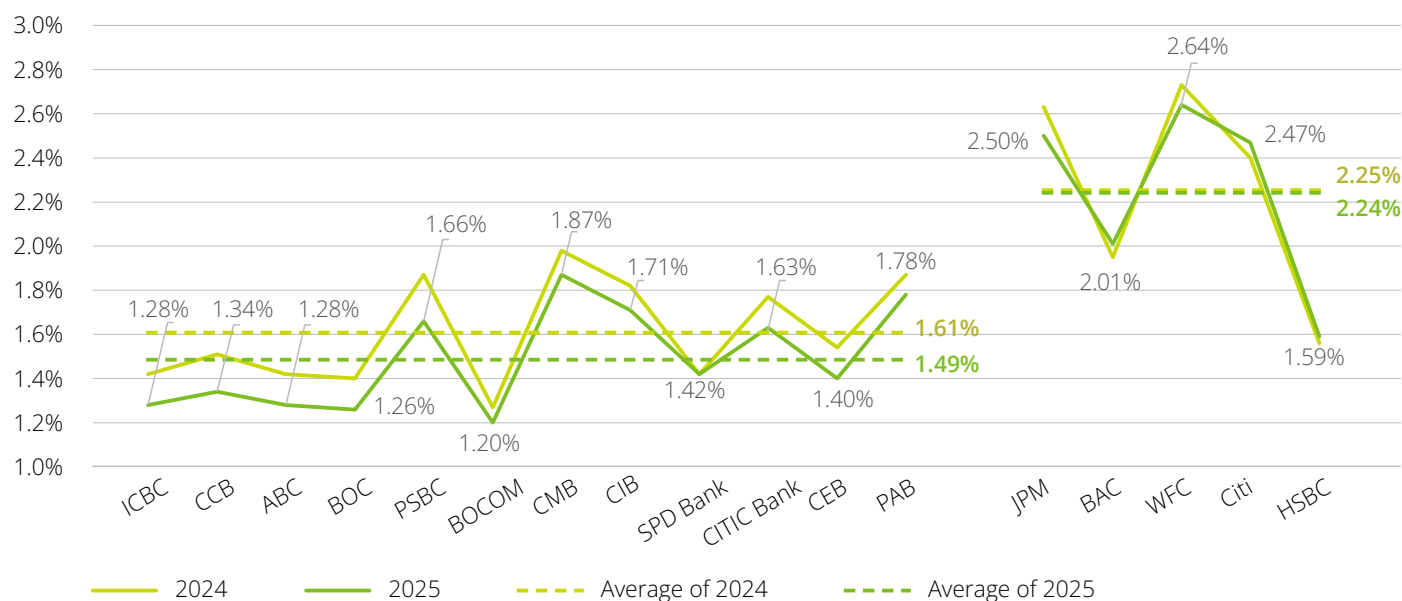
Unit: RMB100 million



In 2025, under the combined weight of multiple factors including LPR reductions, subdued effective demands for real-economy credit, and persistently rigid deposit costs, the decline in asset-side yields outpaced the easing of liability-side costs, driving a varying degree of net interest margin compression across domestic banks. Domestic banks' average net interest margin stood at 1.49%, a year-on-year contraction of 12 basis points, with mounting pressure on margin compression continuing to intensify. By institution type, the state-owned banks recorded a comparatively more pronounced net interest margin narrowing, with their average net interest margin reaching 1.34% in 2025, down by 15 basis points year-on-year. Notably, PSBC saw its net interest margin decline by 21 basis points, but still retained the highest net interest margin of 1.66% among

all large banks, maintaining its leading position. Joint-stock banks, by contrast, experienced a significantly milder net interest margin contraction, posting an average net interest margin of 1.64%, a year-on-year decline of 10 basis points. In particular, CMB continued to hold the top position among its peers with a net interest margin of 1.87%, steadfastly preserving its margin advantage.

Foreign banks posted an average net interest margin of 2.24%, down by 1 basis point year-on-year. Notably, with the exception of JPM and WFC, whose net interest margin fell after rise, all other foreign banks achieved a net interest margin increase on a year-on-year basis. Generally, the average net interest margin of foreign banks stood 75 basis points above that of their domestic counterparts.

Figure 11: Net Interest Margin

Note: BNP did not disclose its net interest margin.

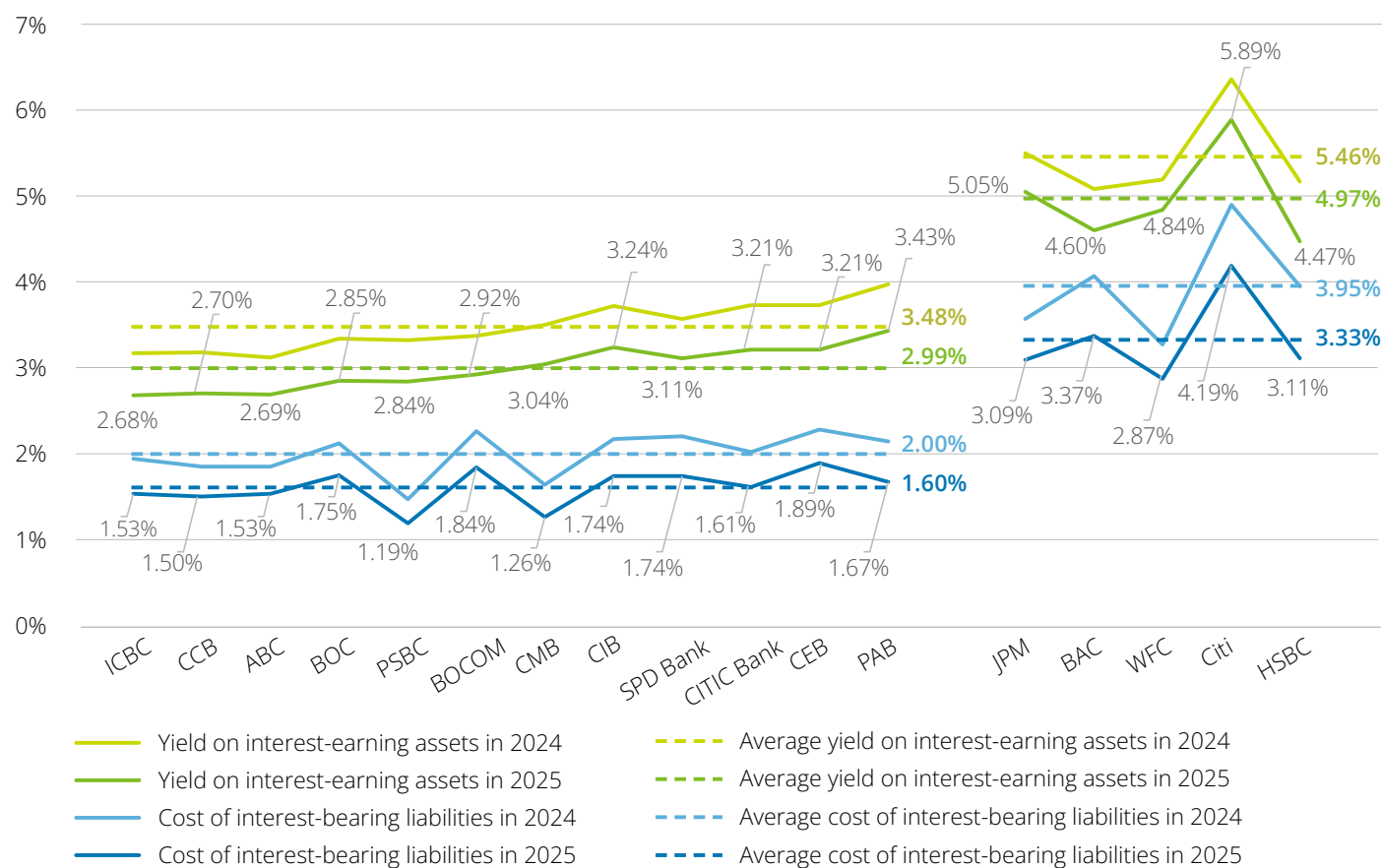
In 2025, domestic banks' average yield on interest-earning assets stood at 2.99%, down by 49 basis points year-on-year. This decline was attributable to a confluence of factors including the concentrated repricing of existing loans triggered by LPR reductions and the intensified competition in asset pricing stemming from subdued real-economy financing demand. Notwithstanding the proactive measures adopted by banks, such as optimizing the composition of interest-earning assets and expanding their scale, to offset downward pressure on yields, external headwinds, notably the sustained interest-rate downtrend and the concentrated repricing of existing mortgage loans, far outpaced the capacity of internal adjustments. Compounded by the scarcity of high-quality, high-yield assets and fierce competition, the average yield on interest-earning assets was driven into an overall downward trajectory. Among domestic banks, PAB, despite recording the steepest year-on-year decline of 54 basis points, retained the top position with a yield of 3.43%.

In 2025, domestic banks' average cost of interest-bearing liabilities stood at 1.60%, a year-on-year decline of 40 basis points, reflecting a pronounced optimization of funding costs across the board. This decrease was primarily attributable to the following factors: the concentrated maturity of high-cost term deposits from prior periods, which were progressively replaced by lower-rate deposits; a broad-based decline in market interest rates, guided by the deposit rate self-discipline mechanism and the policy stance of the central bank; and a further reduction in the

average cost of interest-bearing liabilities, underpinned by a coordinated round of deposit rate cuts implemented by banks throughout 2025.

Looking ahead to 2026, as the impact of existing loans' rate adjustments gradually dissipates and the benefits of deposit cost management continue to materialize, the downward trajectory of net interest margins is expected to decelerate and stabilize. Nevertheless, intensifying market competition and the persistent high savings propensity among households may still pose constraints on net interest margin recovery. Accordingly, banks are called upon to further optimize their asset-liability structures, deepen their foray into light-capital, non-interest income businesses, and reinforce risk management frameworks while staying firmly anchored in their mandate to serve the real economy and consolidating the gains achieved in deposit cost control. Only by fulfilling their policy mission in tandem with ensuring sound and prudent operations can banks drive the high-quality development of the banking sector.

In 2025, both the average yield on interest-earning assets and the cost of interest-bearing liabilities of foreign banks trended downward, contracting by 49 basis points and 62 basis points year-on-year, respectively, primarily driven by the moderate global macroeconomic slowdown, the retreat of inflationary pressures, and the onset of rate-cutting cycles by the Federal Reserve and the European Central Bank, which collectively pushed the market interest rate benchmark lower across the board.

Figure 12: Yield on Interest-earning Assets and Cost of Interest-bearing Liabilities


Note: BNP did not disclose its yield on interest-earning assets and cost of interest-bearing liabilities

Table 2: Comparison Between Domestic Banks' Quarterly Yields of Interest-earning Assets and LPR Adjustments

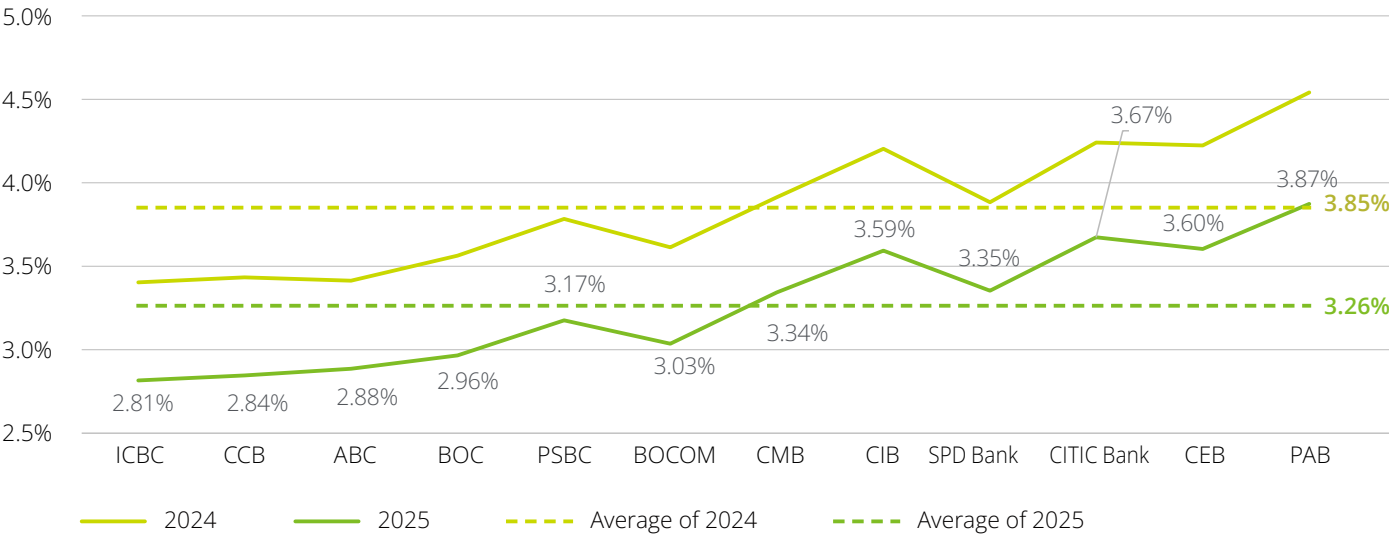
Item	31/12/2025	30/9/2025	30/6/2025	31/3/2025	31/12/2024
One-year LPR	3.00%	3.00%	3.00%	3.10%	3.10%
Basis points decline	-	-	10	-	-
Five-year LPR	3.50%	3.50%	3.50%	3.60%	3.60%
Basis points decline	-	-	10	-	-

Yield on Interest-earning Assets	31/12/2025	30/9/2025	30/6/2025	31/3/2025	31/12/2024
ICBC	2.68%	Undisclosed	2.79%	Undisclosed	3.17%
CCB	2.70%	Undisclosed	2.82%	Undisclosed	3.18%
ABC	2.69%	Undisclosed	2.80%	Undisclosed	3.12%
BOC	2.85%	Undisclosed	2.96%	Undisclosed	3.34%
PSBC	2.84%	Undisclosed	2.95%	Undisclosed	3.32%
BOCOM	2.92%	Undisclosed	3.04%	Undisclosed	3.37%
CMB	3.04%	3.08%	3.14%	3.21%	3.50%
CIB	3.24%	Undisclosed	3.37%	Undisclosed	3.72%
SPD Bank	3.11%	Undisclosed	3.25%	Undisclosed	3.57%
CITTC Bank	3.21%	Undisclosed	3.33%	Undisclosed	3.73%
CEB	3.21%	Undisclosed	3.31%	Undisclosed	3.73%
PAB	3.43%	3.40%	3.48%	3.62%	3.97%

In 2025, the average customer loan & advance yield of domestic banks stood at 3.26%, down by 59 basis points year-on-year. Major state-owned banks posted an average customer loan & advance yield of 2.95%, down by 58 basis points year-on-year. Amid the sustained impact of LPR cuts and the ongoing repricing of existing housing mortgage loans, PSBC recorded the steepest decline among major state-owned banks at 61 basis points, yet it retained the highest yield among its state-owned peers. Joint-stock banks reported an average customer loan & advance yield of 3.57%, contracting by 60 basis points year-on-year. Notably, in response to the policy imperative of channeling benefits to the real economy, PAB continued to optimize its customer portfolio and asset mix, with its customer loan & advance yield falling by 67 basis points — the sharpest decline among joint-stock banks— while still maintaining the top position within the joint-stock cohort.

Looking ahead to 2026, the loan yield of domestic banks is expected to continue its downward trajectory, albeit with a markedly narrower pace of decline. The impact of the LPR adjustment in May 2025 has been largely concentrated and released in early 2026, and the repricing pressure on existing loan portfolios is poised to ease progressively. A pronounced divergence is emerging across bank tiers: the average loan yield of major state-owned banks has already breached the 3% threshold, leaving relatively limited room for further downside, thereby lending greater certainty to marginal improvement. By contrast, joint-stock banks, while commanding higher yields, have experienced steeper declines, and the narrowing of their year-on-year contraction is expected to be more pronounced in 2026.

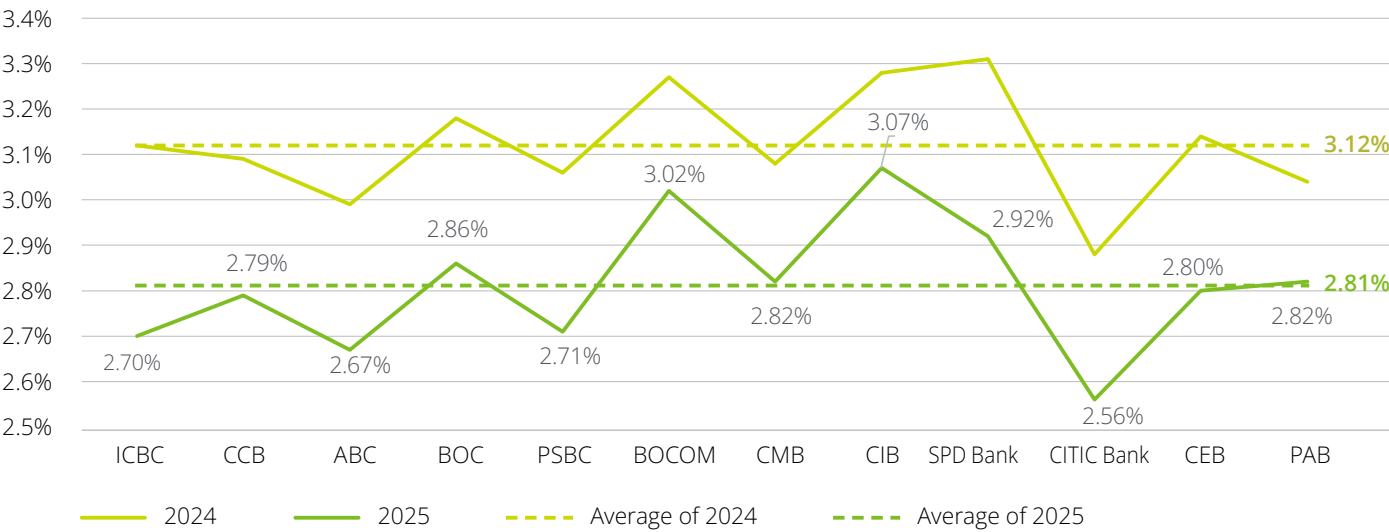
Figure 13: Customer Loan & Advance Yield



In 2025, the average financial investment yield of domestic banks stood at 2.81%, down by 31 basis points year-on-year. This sustained downward trajectory was primarily attributable to the combined effect of the passive maturity and active disposal of existing high-yield, long-duration bonds, coupled with the allocation of a substantial volume of newly purchased bonds carrying comparatively low coupon rates. Major state-owned banks posted an average financial investment yield of 2.79%, down by 33 basis points year-on-year. Among them, BOCOM led the cohort with a

financial investment yield of 3.02%, the highest among major state-owned banks, while its year-on-year decline of 25 basis points also marked the shallowest contraction within the group. Joint-stock banks recorded an average financial investment yield of 2.83%, contracting by 29 basis points year-on-year. Notably, CIB topped the joint-stock banks ranking at 3.07% of financial investment yield, with a year-on-year decline of 21 basis points, the smallest drop among its joint-stock peers.

Figure 14: Financial Investment Yield

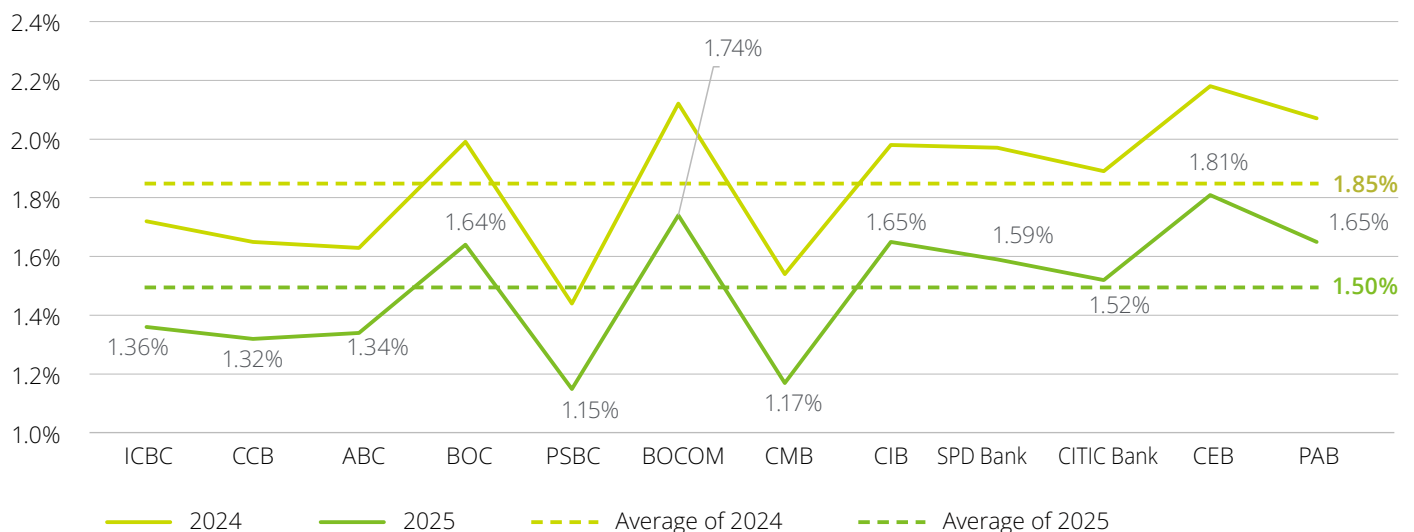


In 2025, the average deposit cost ratio of domestic banks stood at 1.50%, a year-on-year decrease of 35 basis points. Major state-owned banks posted an average deposit cost ratio of 1.43%, down by 33 basis points year-on-year. Notwithstanding a year-on-year decline of 38 basis points in 2025, BOCOM retained the highest deposit cost ratio among major state-owned banks. Joint-stock banks recorded an average deposit cost ratio of 1.57%, down by 37 basis points year-on-year. CEB remained at the top of the joint-stock banks ranking following a 37-basis-point year-on-year decline, while PAB registered the steepest contraction within the cohort at 42 basis points. PSBC and CMB distinguished themselves as the cost leaders within their respective tiers,

with deposit costs of 1.15% and 1.17%, respectively, the most favorable levels among major state-owned banks and joint-stock banks.

To alleviate the sustained pressure from the relentless narrowing of net interest margins and to faithfully implement the monetary policy imperative of supporting the recovery of the real economy, domestic banks announced yet another round of cuts to benchmark deposit rates in 2025, following two such reductions in 2024. The benchmark rate for one-year time deposits fell below 1.00% for the first time. Under the direct impact of this deposit rate cut, the deposit cost ratio of domestic banks in 2025 declined notably.

Figure 15: Deposit Cost Ratio



In 2025, the average cost ratio of interbank businesses for domestic banks stood at 1.77%, a decline of 56 basis points year-on-year. Amid the overarching macroenvironment of declining market interest rates, the cost ratio of interbank businesses for all domestic banks followed a downward

trajectory, with pronounced declines across the board. BOC posted a cost ratio of interbank businesses of 1.97%, the highest among major state-owned banks, while SPD Bank recorded 1.94%, outpacing other joint-stock banks.

Figure 16: Cost Ratio of Interbank Businesses



Note: Interbank businesses include interbank deposits and inter-financial institution deposits, loans from other banks and financial institutions, and financial assets sold for repurchase (for BOC, it also includes the liabilities to the People’s Bank of China and other interest-bearing liabilities; for PAB, it also includes other interest-bearing liabilities.)

Domestic wealth management business shines as net fee and commission income returns to positive growth

In 2025, net fee and commission income of domestic banks totaled RMB 660.1 billion, a year-on-year increase of RMB38.2 billion or 6.15%. The primary impetus stemmed from the stabilization and recovery of domestic capital markets, coupled with the sustained release of household asset allocation demand. Wealth management emerged as the core growth engine, with distribution scales for wealth management products, funds, and insurance rebounding markedly, while the expansion of asset management and custody businesses drove a substantial recovery in agency-related fee income. With the exception of PAB and SPD Bank, the remaining 10 banks recorded year-on-year increases in net fee and commission income. Among them, ABC and PSBC stood out particularly, both posting growth exceeding 15%. ABC led the pack with a year-on-year increase of 16.57%, the most pronounced gain, attributable primarily to its ongoing wealth management transformation, which underpinned steady growth in wealth management product and fund distribution income. PSBC followed closely with an increase at 16.15%, largely driven by its expanded supply of diversified wealth management products and

the deepened “commercial banking + investment banking” synergistic operating model, which propelled rapid growth across wealth management, syndicated lending, and financial advisory fee income. Foreign banks reported net fee and commission income of RMB1,137.8 billion, a year-on-year increase of RMB97.9 billion or 9.41% — a growth rate markedly outpacing that of their domestic counterparts. Unlike domestic banks, foreign banks’ growth was primarily fueled by investment banking and trading activities, alongside wealth management, with HSBC relying chiefly on the latter for its expansion. Moreover, the global networks of foreign banks in payment clearing, cross-border services, and related domains constituted a differentiated competitive edge, further bolstering their net fee and commission income.

Regarding the proportion of net fee and commission income to total operating income, both domestic and foreign banks posted upward movements in their respective averages. Domestic banks recorded an average ratio of 14.35%, up by 0.79 percentage points year-on-year, while foreign banks

averaged 25.62%, an increase of 1.01 percentage points over the preceding year. In 2025, major state-owned banks and joint-stock banks posted averages of 12.51% and 16.19%, respectively. With the exception of ICBC and SPD Bank, all other banks saw their net fee and commission income ratios

rise compared with 2024. Notably, CMB topped the cohort with the highest ratio at 22.30%. Among foreign banks, BAC claimed the top position with a ratio of 34.84%, the highest proportion of net fee and commission (to operating income) in the group.

Figure 17: Net Fee and Commission Income

Unit: RMB100 million

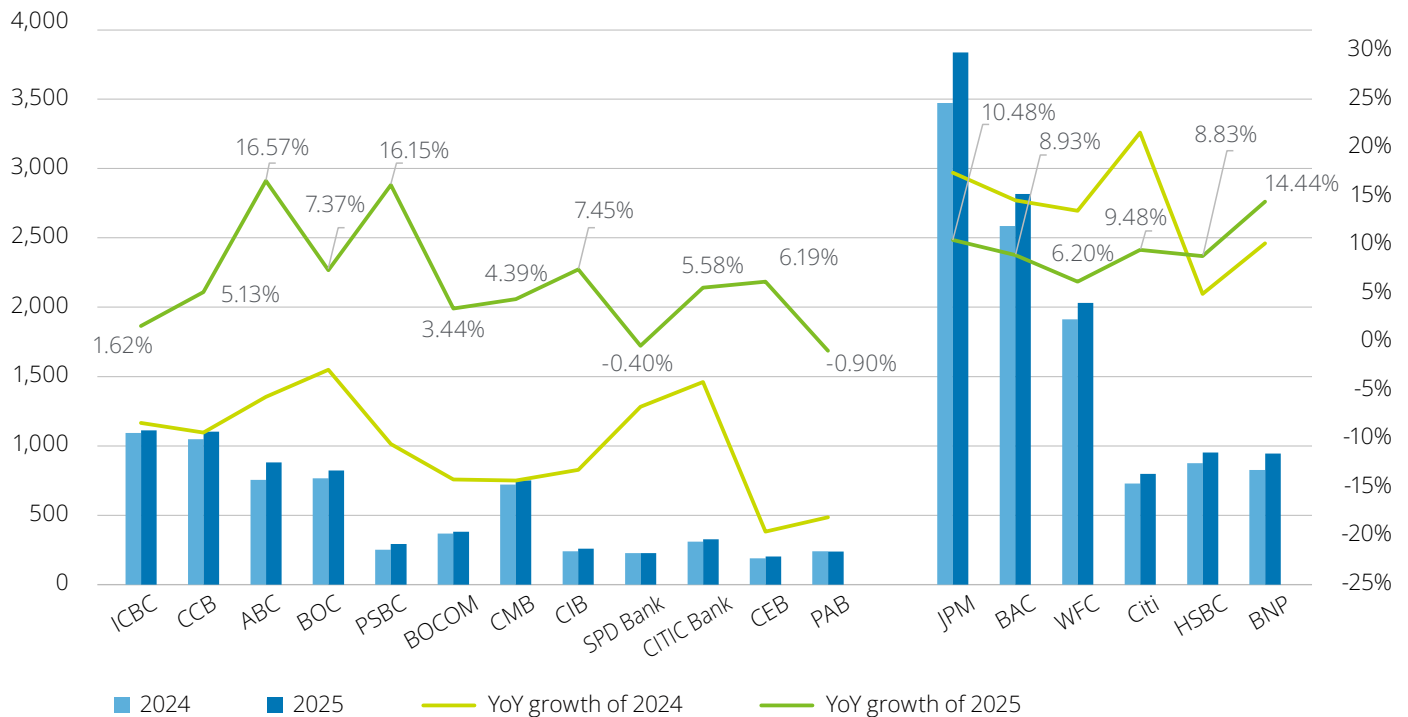
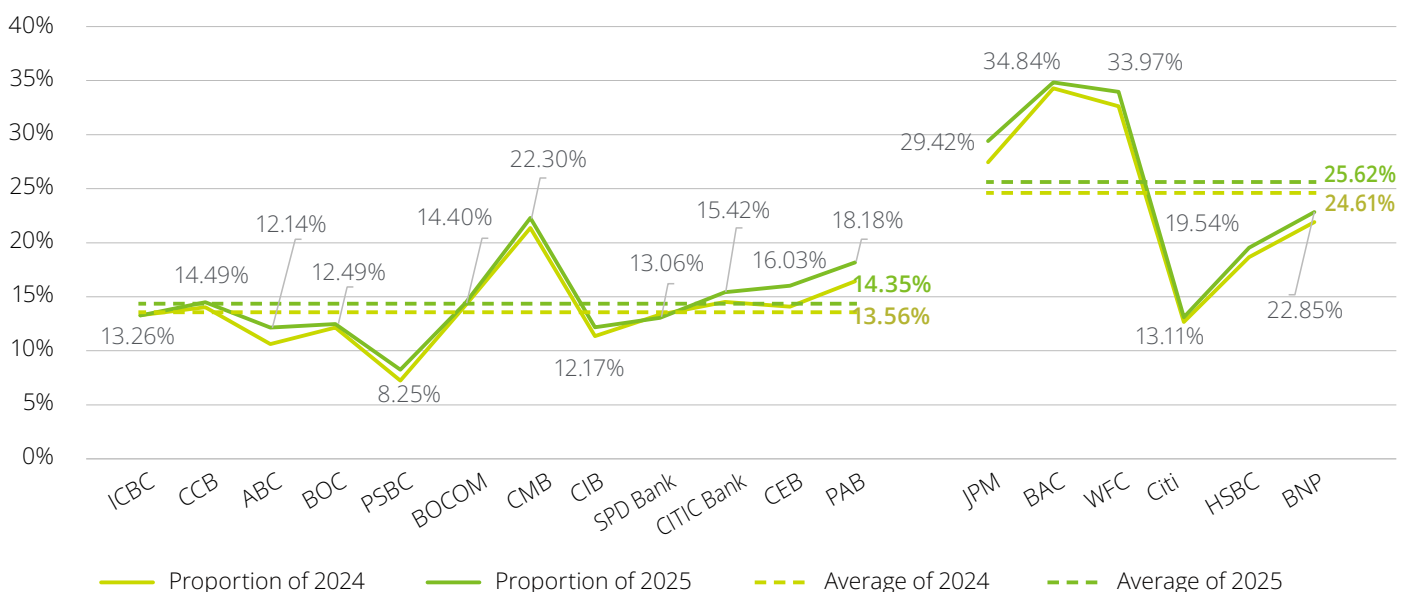


Figure 18: Proportion of Net Fee and Commission Income



Shift in household asset allocation demands, coupled with regulatory guidance, underpinned steady wealth management income growth

In 2025, the A-share market followed a volatile upward trajectory, with the vitality of the equity market being notably unleashed. In the prevailing low-interest-rate environment, the appeal of traditional savings and fixed-income products continued to wane, while household asset allocation demand accelerated its migration from bank deposits toward wealth management products such as bank wealth management schemes and securities investment funds. This shift directly propelled the steady expansion of banks' wealth management-related businesses and underpinned robust growth in net fee and commission income. Against the backdrop of upgrading household wealth allocation demand, a sustained recovery in capital markets, and the full-scale implementation of the net-value-based transformation of wealth management products, banks retained their dominant position in the wealth management market. Wealth management-related businesses have emerged as the core engine for banks to offset the pressure from narrowing net interest margins and to drive non-interest income growth, thereby providing critical support for the optimization of banks' earnings structures.

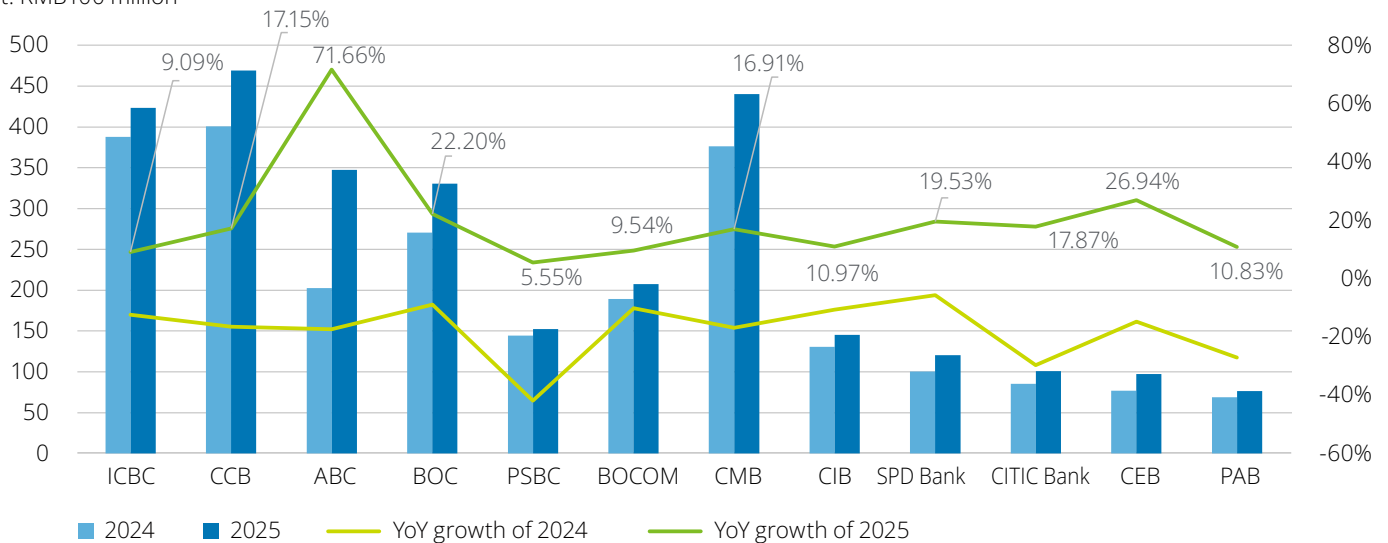
In 2025, the combined fee income from wealth management, agency, and custody services of domestic banks reached RMB291 billion, a year-on-year increase of RMB47.6 billion or 19.56%, reflecting a broadly positive and steadily upward development trajectory. In terms of institutional performance, CCB, CMB, and ICBC, underpinned by their robust business foundations, secured their positions as industry frontrunners, each generating fee income in excess of RMB40 billion. ABC, CEB, and BOC, meanwhile, demonstrated strong growth momentum, with all three recording revenue growth rates surpassing 20%. Notably, ABC outpaced its peers by a significant margin, posting a year-on-year surge of 71.66%.

The sustained upturn in capital markets in 2025 provided a solid underpinning for the development of banks' wealth management businesses and drove continued optimization of their revenue structures. The three core segments including wealth management, agency distribution, and custodial services advanced in a synergistic and interlinked manner, further elevating the share of fee and commission income from wealth management within banks' intermediate business revenue. The banking sector is progressively reducing its excessive reliance on traditional interest spread income and accelerating its transition toward lighter, more specialized, and digitally driven business models, thereby laying a firm foundation for the future expansion of emerging businesses such as pension finance, cross-border wealth management, and professional investment advisory services.

Moreover, the short-term disruptions stemming from the "fee rate practices consistent with those reported to regulators" policy for insurances introduced in 2023 and the fund fee reform implemented in 2024 have been largely absorbed by 2025. On the regulatory front, the further issuance of the *Administrative Measures for Commercial Banks' Agency Sales Business* has served to rectify industry malpractices, promote quality and eliminate underperformers, thereby laying the groundwork for the standardized development of banks' agency businesses. Meanwhile, the public fund fee reform has incentivized the industry to place greater emphasis on client returns. By refining product selection mechanisms and strengthening investment advisory services, banks have better aligned their offerings with investor needs, further enhancing the conversion rates and revenue levels of their distribution businesses.

Figure 19: Fee and Commission Income from Wealth Management, Agency and Custody Businesses

Unit: RMB100 million



Intensifying market competition and regulatory fee cuts weighed on banks' traditional fee-based income

In 2025, domestic banks generated RMB343 billion from traditional intermediary businesses, such as bank card, settlement, and clearing businesses, a year-on-year decline of 3.14%. With the exception of BOC and BOCOM, which posted growth rates of 4.10% and 1.94% respectively, all other banks experienced a contraction. Notably, SPD Bank, CMB, and CIB saw relatively pronounced declines, with their revenues falling by 13.46%, 9.79%, and 9.63% respectively.

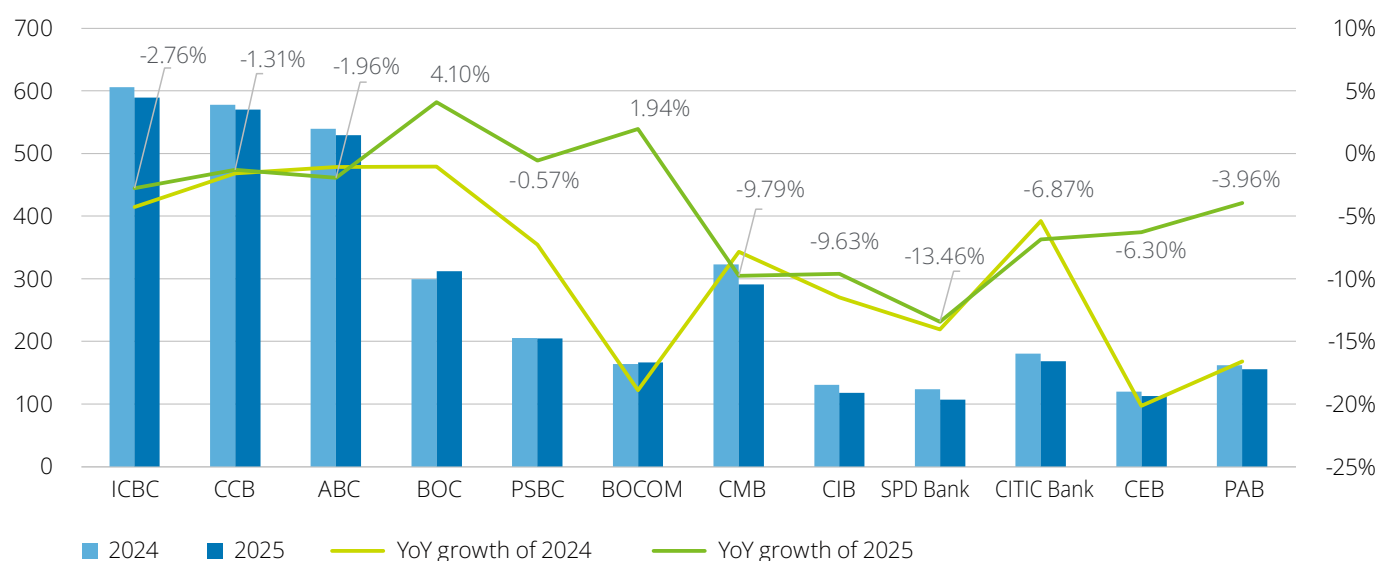
The continued regulatory enforcement of requirements to reduce financial fees and pass on benefits to the real

economy has driven a steady reduction in charges for basic services such as corporate payment settlement and account management, resulting in a contraction of fee income from basic settlement services. Meanwhile, the pace of household consumption recovery has remained sluggish, and overall market risk appetite has trended to be conservative, placing downward pressure on fee income from credit card overdraft instalment plans and consumer finance services. In addition, the persistent diversion of offline acquiring scenarios by third-party payment platforms has further eroded the earnings of bank card acquiring businesses.



Figure 20: Fee and Commission Income from Bank Card and Settlement & Clearing Businesses

Unit: RMB100 million

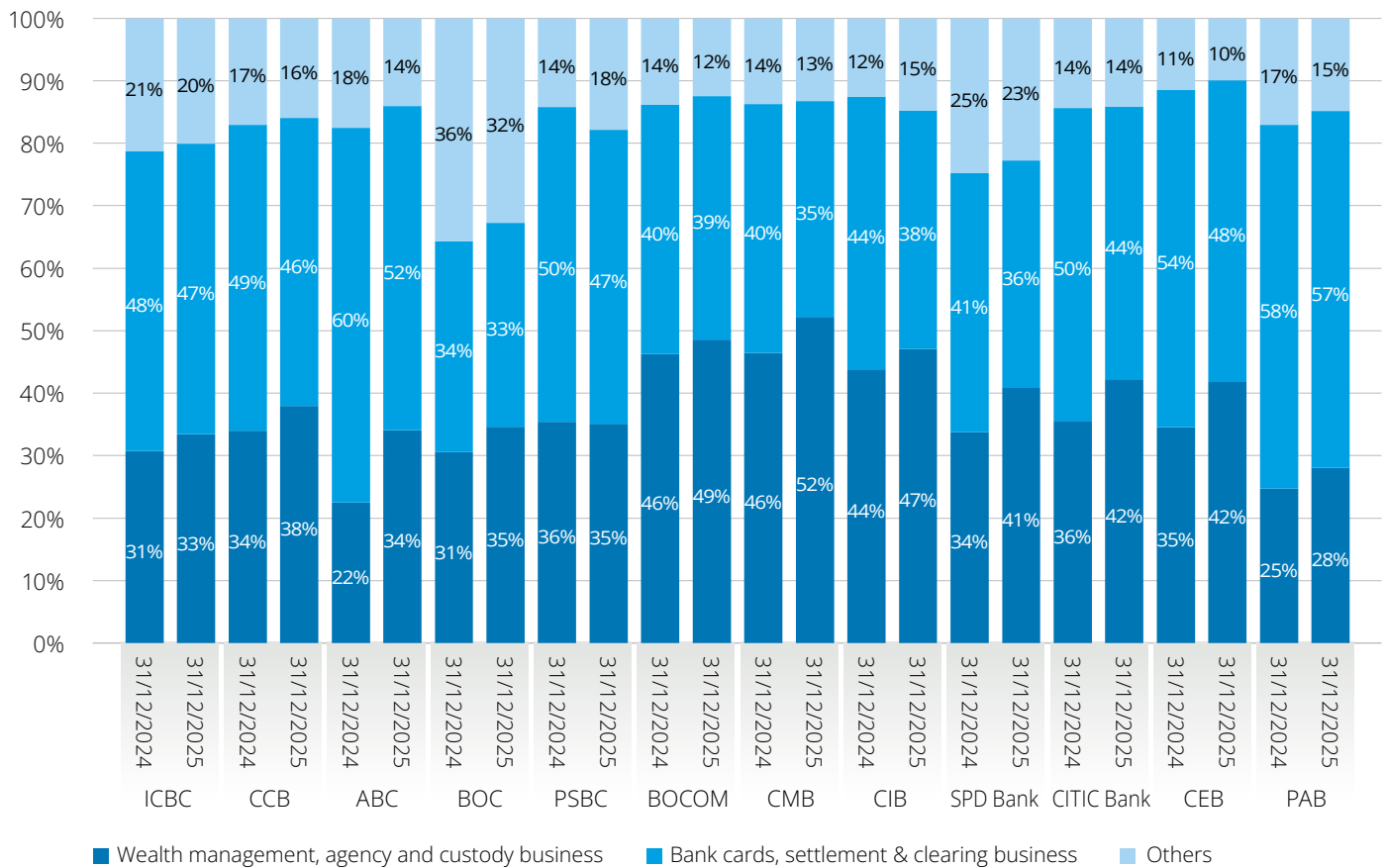


Intermediary income structure continued to refine with agency business share climbing steadily

Domestic banks' intermediate business income structure remained stable, and were mainly from traditional intermediate businesses such as bank cards, settlement & clearing, as well as wealth management, agency and custody businesses. In 2024 and 2025, the wealth management, agency, and custody businesses, on average, accounted for 33.88% and 38.73% respectively of their total fee and commission income, up by 4.84 percentage points. By contrast, the bank cards, settlement & clearing businesses averagely accounted for 43.29% in 2025 and 46.92% in 2024, a drop of 3.63 percentage points, while the share of other businesses fell from 19.20% to 17.98% for the two years.

In 2025, the share of wealth management, agency, and custody businesses trended upward across the board. With the exception of PSBC, which remained largely stable, all

other domestic banks recorded varying degrees of growth. ABC posted the most pronounced increase, with its share rising by 11.58 percentage points, followed by CEB and SPD Bank, which saw gains of 7.30 and 7.13 percentage points respectively, primarily due to the sustained decline in deposit interest rates, which drove a shift of household savings toward wealth management and other asset management products. The wealth management market continued to expand, with net-value-based products increasingly optimized to meet steady market demand. Concurrently, the expansion of asset management products and the deepening of channel partnerships jointly propelled growth in wealth management scale, boosted agency business income, and further drove commensurate growth in ancillary custody services.

Figure 21: Fee and Commission Income Structure

Note: 31/12/2024: 2024; 31/12/2025: 2025

Major domestic state-owned banks' investment edge grew ever more apparent while foreign institutions' investment income exhibited structural divergence

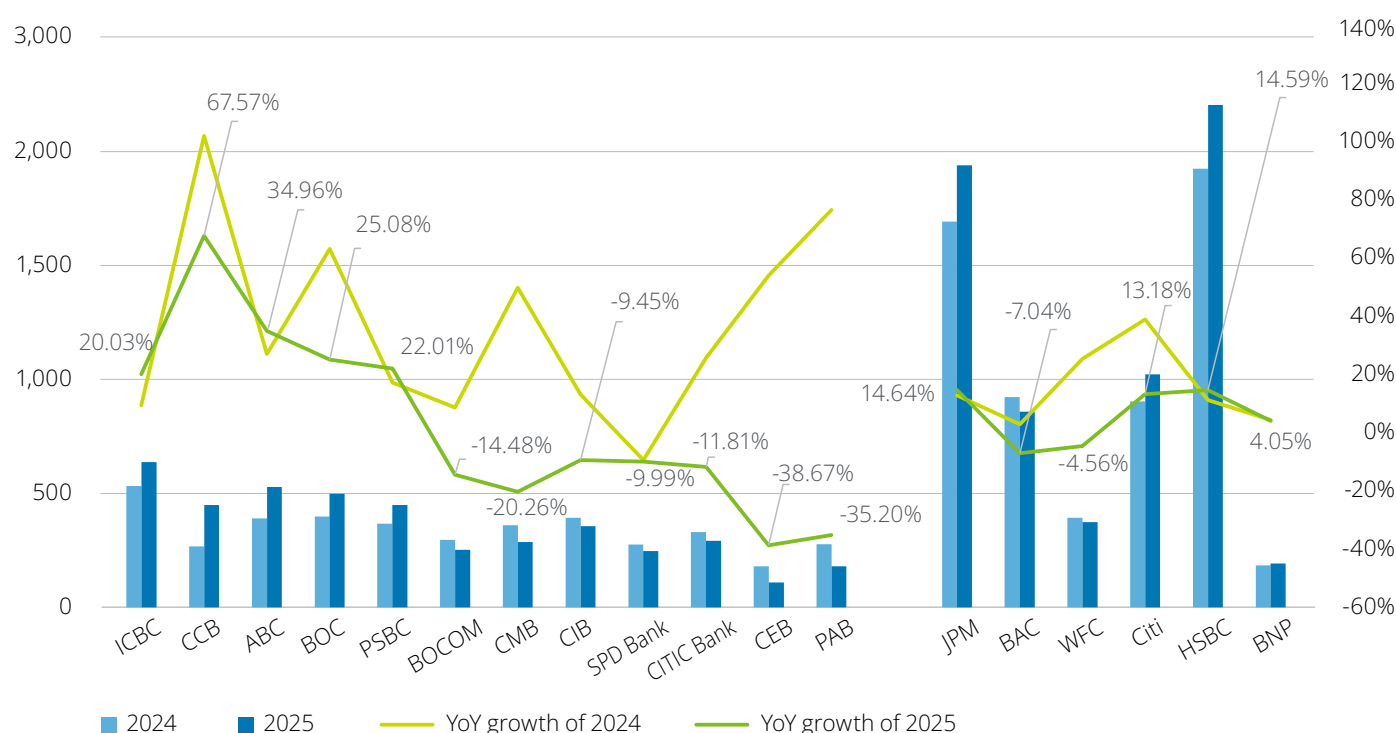
In 2025, domestic and international interest rate environments exhibited a cyclical divergence: the U.S. Federal Reserve delivered three interest rate cuts within the year, bringing the federal funds rate down to 3.5%–3.75%, while the net interest margin of domestic banks continued to narrow to a historic low of 1.42%. Against this backdrop, returns on financial investments among domestic banks diverged markedly. The major state-owned banks demonstrated broadly resilient performance, except for BOCOM which registered a marginal decline while the remaining five all posted steady growth, collectively generating RMB281.6 billion in investment income, a year-on-year increase of RMB56.3 billion or 24.96%. This was primarily attributable to their relatively high allocation to standardized assets such as government bonds, which enabled them to offset interest rate fluctuations through stable coupon income. Joint-stock banks, by contrast, faced

widespread downward pressure on investment income. CEB and PAB recorded particularly pronounced declines of 38.67% and 35.20% respectively year-on-year, largely driven by volatile upward movements in domestic bond market yields, compounded by the high base effect from 2024.

Foreign banks' financial investment income totaled RMB659.2 billion, representing a year-on-year increase of 9.50%, with pronounced divergence in performance: JPM, HSBC, Citi, and BNP registered growth, with JPM leading the cohort at 14.64%; conversely, BAC and WFC recorded year-on-year declines. The investment income performance of foreign banks varied, shaped collectively by multiple factors including the global monetary policy cycle, cross-regional operational deployment, and integrated asset-liability management capabilities.

Figure 22: Income from Financial Investments

Unit: RMB100 million



Note: The movements of foreign banks' investment income was calculated in the original currency

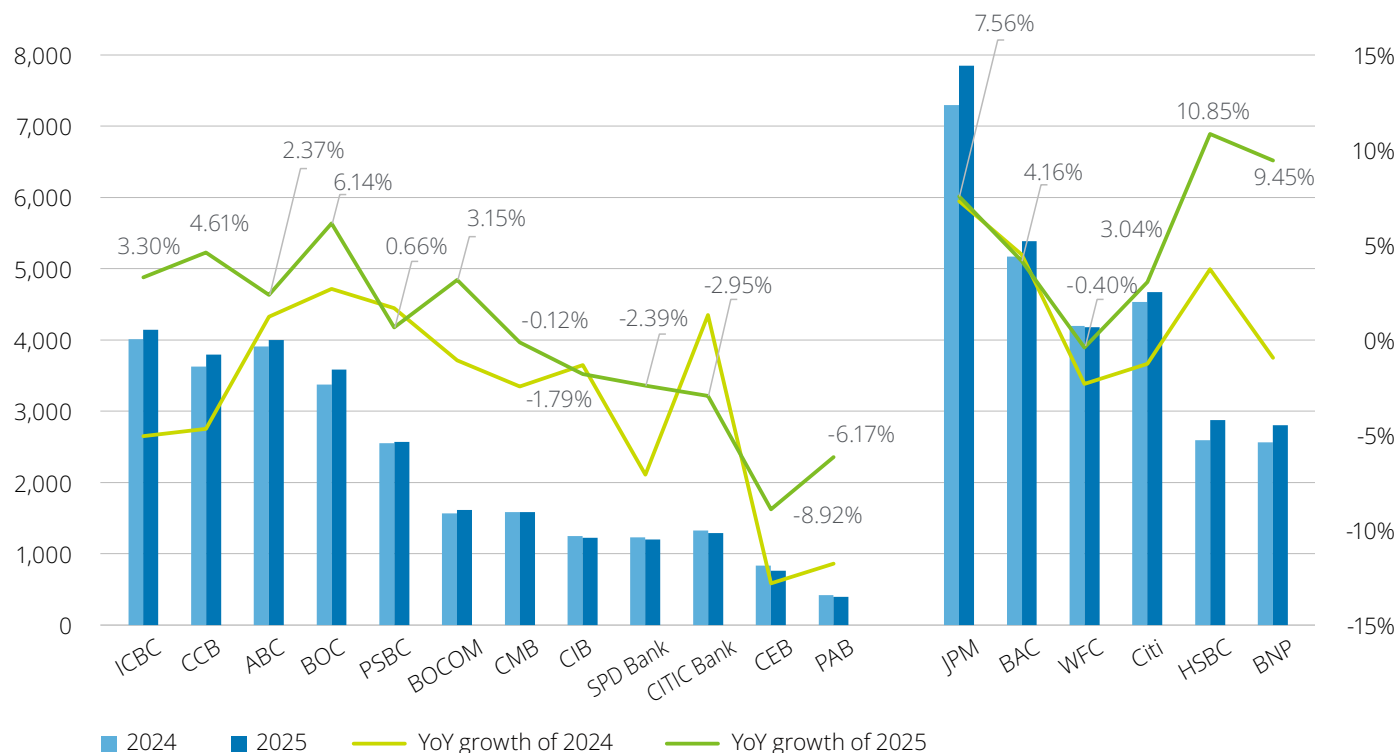
Domestic banks saw modest rise in operating expenses while foreign banks reported broad-based uptick

In 2025, the domestic banks' operating expenses totaled RMB2,616.1 billion, a year-on-year increase of RMB47.2 billion or 1.84%. In particular, impairment losses amounted to RMB886.4 billion, rising by RMB0.6 billion year-on-year and remaining broadly stable compared to 2024; business and administrative expenses totaled RMB1,549.8 billion, increasing by RMB7.6 billion or 0.50% year-on-year. Operating expenses at major domestic state-owned banks rose overall due to higher provision for impairment losses. Among them, BOC recorded the largest increase at 6.14%, marking its second consecutive year of positive growth. Conversely, joint-stock banks generally reported reductions in operating expenses, with CEB registering the steepest decline of 8.92%, driven by lower impairment losses and stringent cost controls.

In 2025, the foreign banks' total operating expenses reached RMB2,776.9 billion, a year-on-year increase of RMB141.1 billion or 5.35%. In particular, impairment losses amounted to RMB296.1 billion, increasing by RMB28.3 billion or 10.58% year-on-year; business and administrative expenses amounted to RMB2,461.7 billion, increasing by RMB112.1 billion or 4.77% year-on-year. Measured in original reporting currencies, all foreign banks except for WFC reported higher operating expenses compared to 2024. HSBC posted the most significant increase at 10.85%, while WFC recorded a decline for the second consecutive year.

Figure 23: Operating Expenses

Unit: RMB100 million



Note: Impairment losses include credit impairment losses and other asset impairment losses

Divergent trends were emerging in domestic banks' and foreign banks' impairment provision amid complex global economic environment

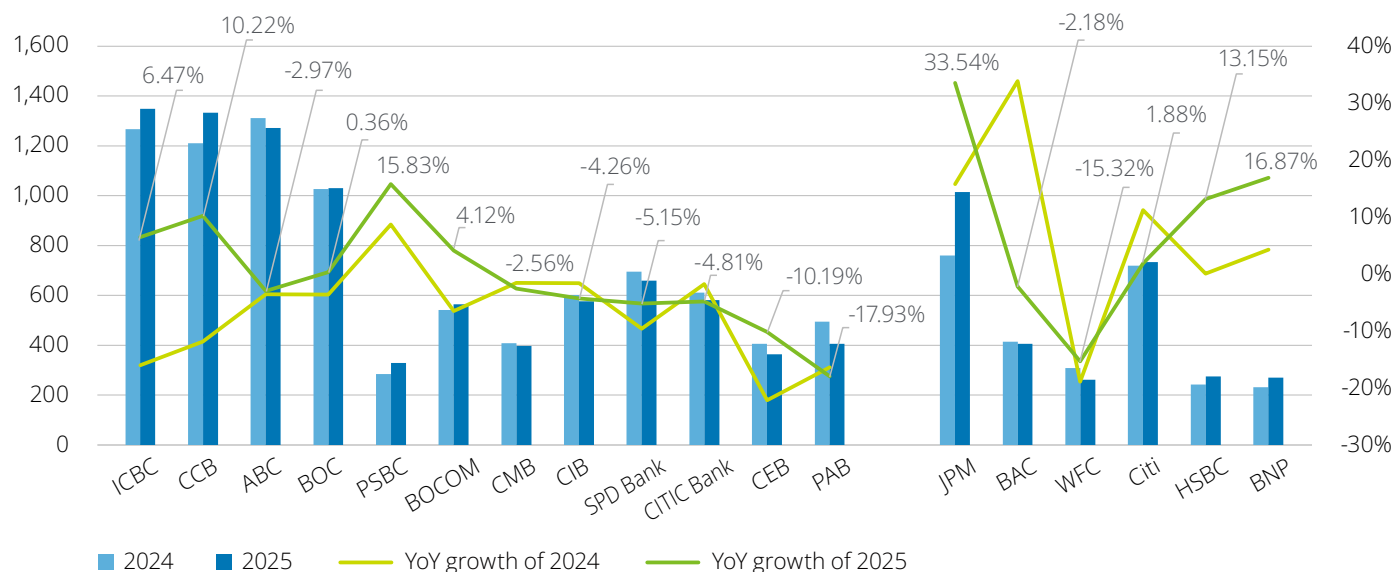
In 2025, domestic banks collectively recognized impairment losses of RMB886.4 billion, edging up by a mere RMB0.6 billion year-on-year and remaining broadly stable compared to 2024. This marked the first increase after four consecutive annual declines, indicating a marginal cyclical shift toward enhanced credit risk buffer reinforcement and heightened provisioning intensity. Significant divergence emerged across banks in structure: large state-owned commercial banks predominantly raised provisions, with all except for ABC (down by 2.97% slightly year-on-year) increasing provision for impairment losses. Among them, PSBC led with a 15.77% surge, followed by CCB and ICBC which saw an increase of 10.22% and 6.47% respectively, demonstrating strengthened risk resilience. Conversely, joint-stock banks widely reduced provisions, with multiple banks recording declines exceeding 4%. PAB (down by 17.93%) and CEB (down by 10.19%) implemented cuts of over 10%.

In 2025, foreign banks reported aggregate impairment losses of RMB296.1 billion, up by RMB28.3 billion or 10.58% year-on-year and recording the fourth consecutive annual

increase in provision for impairment losses. 2025 saw varied economic development in European and American area where the U.S. economy achieved a soft landing amid slowing growth while navigating ongoing resolution of tail risks in commercial real estate and consumer credit, and Europe witnessed moderate yet fragile economic recovery with contained asset quality pressures. Against such divergent macroeconomic conditions, JPM proactively expanded provisions for impairment losses against potential risks, whereas European banks adopted measured adjustments. Measured in original reporting currencies, key banks displayed pronounced variations in provision for impairment losses: JPM, BNP and HSBC accelerated provisioning growth compared to prior year, rising from 15.79%, 4.27% and 0.10% to 33.54%, 16.87% and 13.15% from 2024 respectively; Citi decelerated markedly to 1.88% from 11.22%; BAC's provision for impairment losses turned negative, declining by 2.18% year-on-year; while WFC sustained its downward trajectory to maintain negative growth for a second consecutive year.

Figure 24: Impairment Losses

Unit: RMB100 million

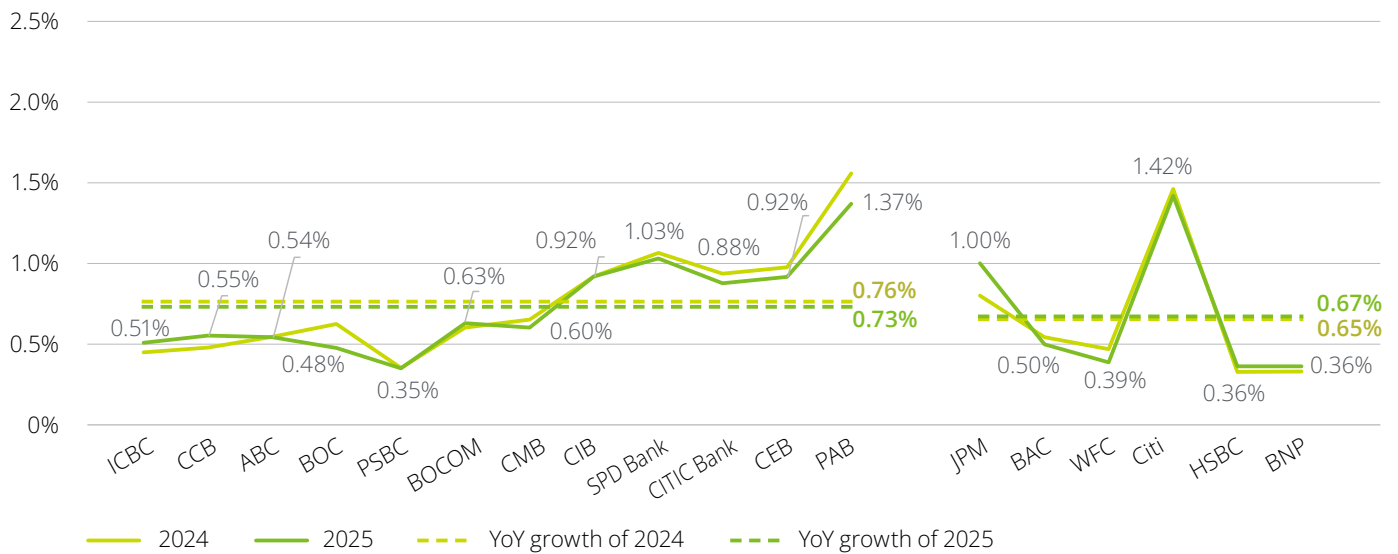


In 2025, with ongoing improvement of asset quality and higher loan balances in the industry, domestic banks' average credit cost ratio stood at 0.73%, down by 0.03 percentage points year-on-year. Among them, ICBC's, CMB's, SPD Bank's, CITIC Bank's, CEB's, and PAB's credit cost ratios fell significantly, with an average decrease of 0.09 percentage points.

Among them, PAB's and BOC's credit cost ratios fell significantly by 0.19 and 0.15 percentage points respectively. PAB's credit cost ratio, which fell by 0.19 percentage points to 1.37%, was still the highest among domestic banks, due to its risk appetite.

Foreign banks' average credit cost ratio was 0.67% in 2025, an increase of 0.02 percentage points year-on-year, with Citi reporting the highest ratio at 1.42%, which exceeded the sector average by 0.75 percentage points. The overall increase in foreign banks' credit costs in 2025 was primarily attributable to persistent high interest rate environments abroad, sluggish economic recoveries in Europe and the U.S., and ongoing weaknesses in commercial real estate markets, leading JPM, HSBC, and BNP to proactively bolster provisions against potential risks; concurrently, tightening global banking regulatory capital and risk management standards further elevated provisioning requirements, collectively driving up credit costs across foreign banks.

Overall, in 2025, domestic banks' average credit cost ratio trended down, while that of foreign banks trended up, exhibiting opposite trajectory.

Figure 25: Credit Cost Ratio

Note: Credit cost ratio=credit impairment losses on loans/average balance of loans at the beginning and end of the period

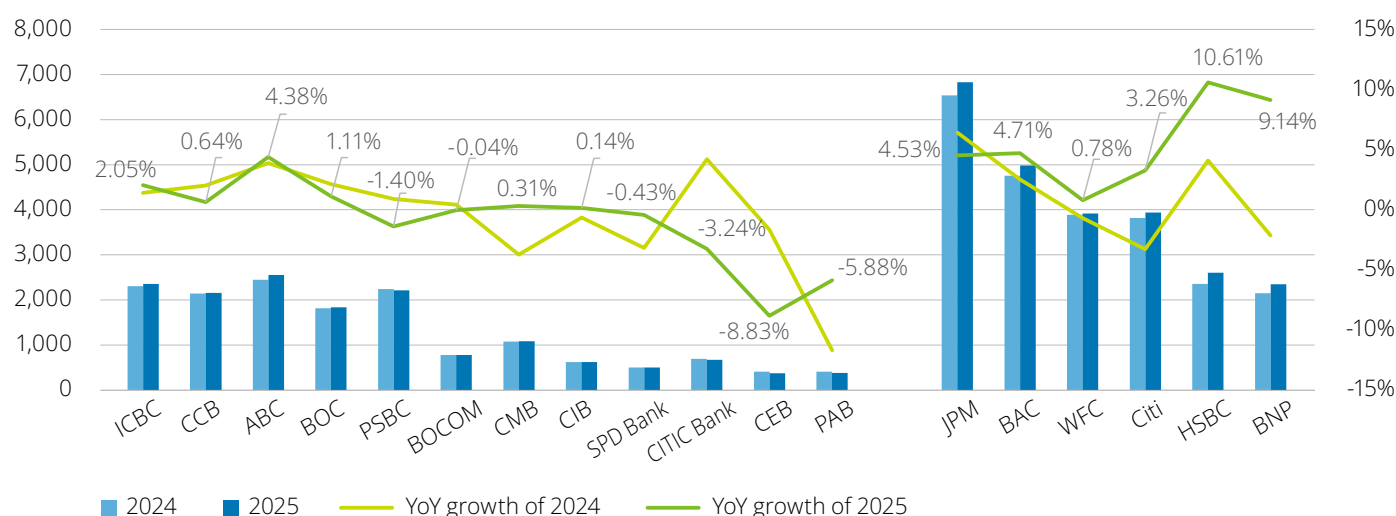
Domestic banks' and foreign banks' business and administrative expenses growth slowed while cost control improved

In 2025, domestic banks' business and administrative expenses totaled RMB1,549.8 billion, a year-on-year increase of RMB7.6 billion or 0.50%, moderating from 2024's growth rate (0.86%). Among these banks, ABC, ICBC, BOC, and CCB reported business and administrative expense growth rates exceeding the sector average, with ABC registering the highest increase at 4.38%. Conversely, CEB, PAB, CITIC Bank, PSBC, SPD Bank, and BOCOM experienced year-on-year declines in total business and administrative expenses, led by CEB's substantial reduction of 8.83%.

Foreign banks' business and administrative expenses amounted to RMB2,461.7 billion in 2025, a year-on-year increase of RMB112.1 billion or 4.77%, with this growth rate broadly outpacing that of domestic banks. Significant divergence emerged in business and administrative expense trends across foreign banks: HSBC led with a 10.61% surge, followed by BNP at 9.14%, while WFC, Citi, and BNP transitioned from negative to positive growth trajectories.

Figure 26: Business and Administrative Expenses

Unit: RMB100 million

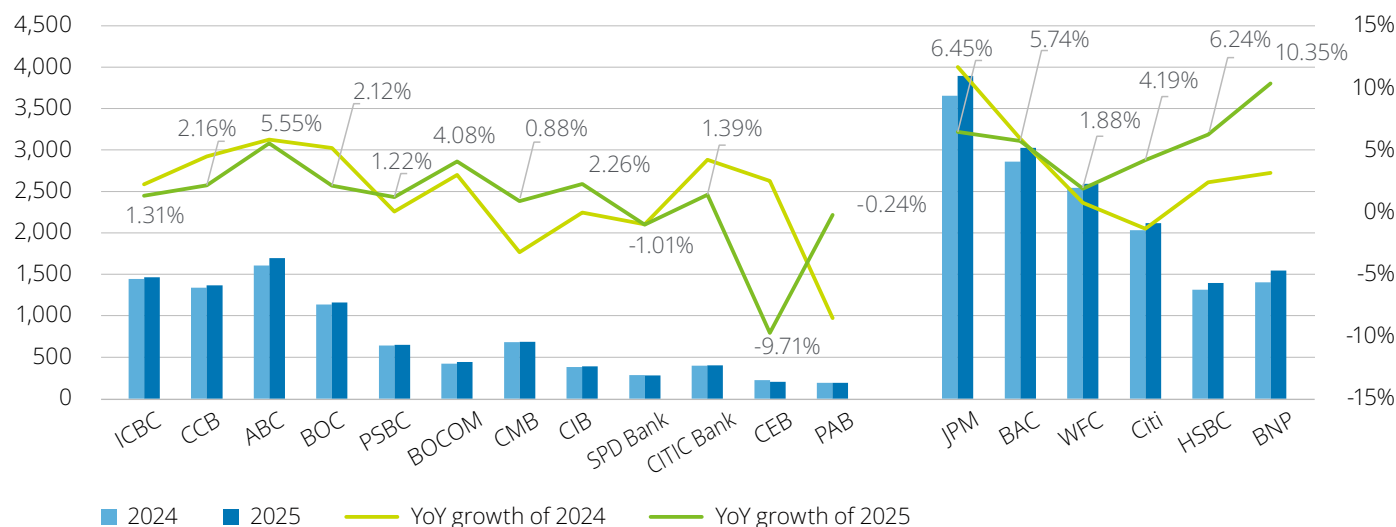


In 2025, domestic banks' employee costs totaled RMB892.1 billion, a year-on-year increase of RMB18.1 billion or 2.07%. In particular, ABC recorded the highest increase at 5.55%, followed by BOCOM at 4.08%, while all other domestic banks registered growth lower than 3%. Over a two-year comparison, both SPD Bank and PAB maintained consecutive annual declines in employee costs. Notably, CEB achieved the most significant reduction at 9.71% year-on-year among all domestic banks, reflecting pronounced cost-efficiency improvements in 2025.

Foreign banks' employee costs totaled RMB1,457.0 billion in 2025, a year-on-year increase of RMB76.0 billion or 5.50%, markedly outpacing the overall growth rate of domestic banks. JPM reported the highest employee costs at RMB389.3 billion, while BNP registered the sharpest increase of 10.35%, driven by workforce expansion following its integration of AXA Investment Managers in 2025 and inflationary pressures in core markets including the Eurozone and Turkey.

Figure 27: Employee Costs

Unit: RMB100 million



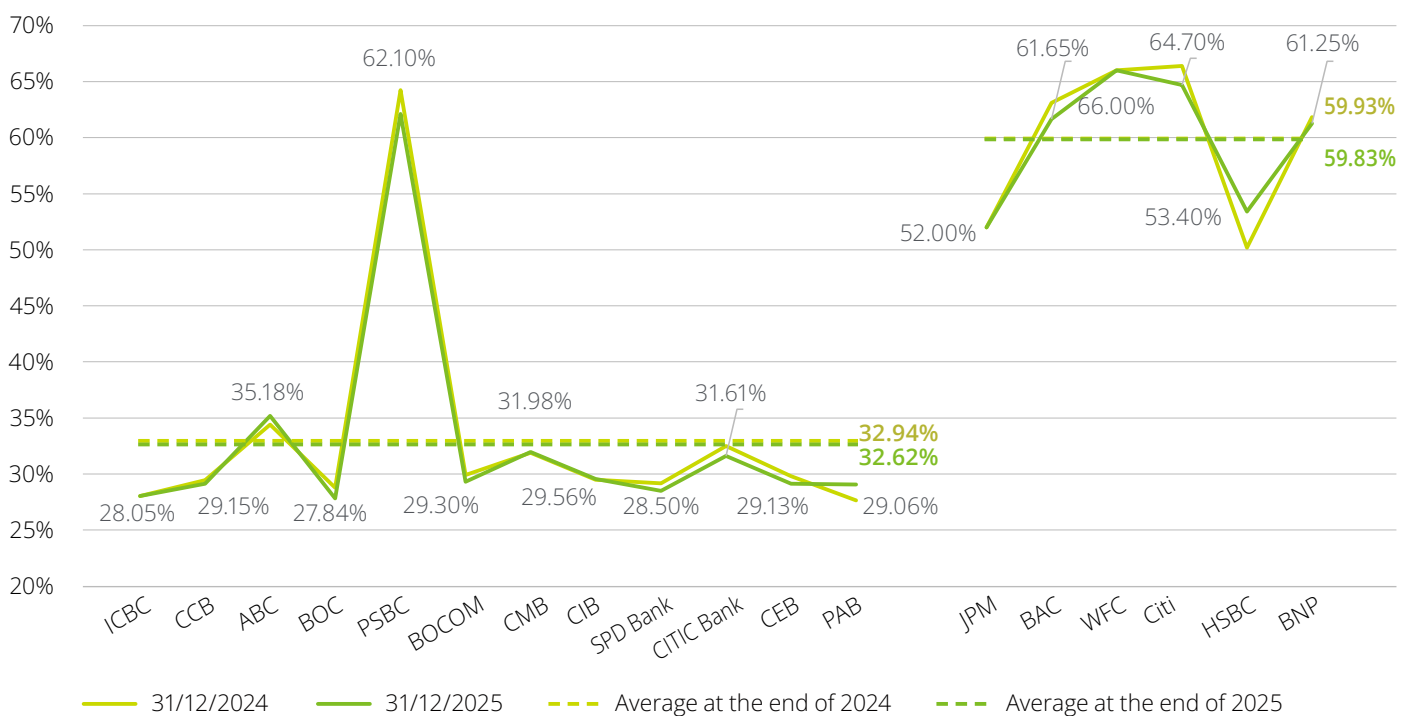
Cost-to-income ratio declines year-on-year, with further room for cost optimization and efficiency enhancement

In 2025, domestic banks' average cost-to-income ratio stood at 32.62%, down by 0.32 percentage points year-on-year, reflecting a modest sector-wide reduction. Notably, PSBC had the highest cost-to-income ratio at 62.10% due to its special business model, followed by ABC (35.18%), CMB (31.98%), and CITIC Bank (31.61%), all maintaining comparatively elevated levels. Regarding year-on-year movements, PSBC, BOC, CITIC Bank, CEB, SPD Bank, BOCOM and CCB achieved reductions, with PSBC posting the most significant decline of 2.13 percentage points. Conversely, PAB, ABC, CMB, CIB and ICBC registered year-on-year increases in cost-to-income ratios by 1.40, 0.78, 0.09, 0.06 and 0.01 percentage points respectively.

Foreign banks' cost-to-income ratios were generally higher than domestic banks, with an average ratio of 59.83%, a year-on-year decrease of 0.10 percentage point. In particular, WFC reported the highest cost-to-income ratio at 66.00%, surpassing Citi (64.70%), with BAC (61.65%) and BNP (61.25%) completing the top tier.

Collectively, both domestic and foreign banks achieved year-on-year declines in their cost-to-income ratios, signifying tangible progress in cost efficiency initiatives. However, upward movements persisted at certain institutions within both segments, retaining substantial room for enhancement of future cost control and structural optimization.

Figure 28: Cost-to-income Ratio





2.2 Assets

Major state-owned banks led growth: Expanding scale while optimizing asset structure

At the end of 2025, the total assets of the six state-owned banks reached RMB220.48 trillion, an increase of RMB20.80 trillion or 10.42% from the beginning of the year and 2.55 percentage points from 2024's growth rate at 7.87%. With the exception of BOCOM, the other five state-owned banks all achieved higher asset growth rates than those in the prior year. In particular, ABC led with the highest growth rate of 12.83% among major state-owned banks, followed by CCB at 12.47%, rising by 6.61 percentage points from 2024 and representing the largest increase in growth rate among major state-owned banks; ICBC registered a growth rate of 9.54% and became the first state-owned bank to surpass the RMB50 trillion threshold in total assets.

The total assets of six joint-stock banks amounted to RMB57.47 trillion, rising by RMB3.09 trillion or 5.68% from the end of 2024 and representing an increase of 0.31 percentage points compared to 2024's growth rate at

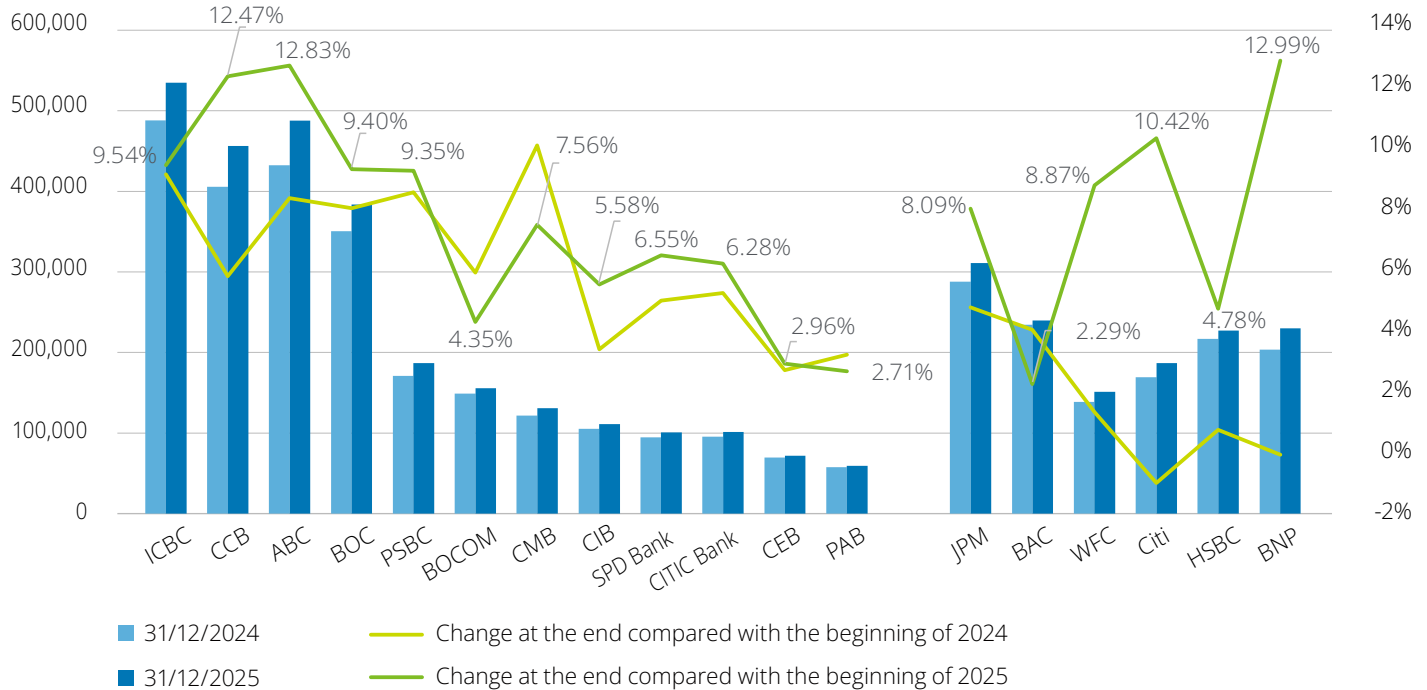
5.37%. CMB retained its leading position among joint-stock peers with a 7.56% asset growth rate, while the other four joint-stock banks excluding CEB and PAB exceeded the 5% growth threshold.

The total assets of six foreign banks reached RMB134.59 trillion, representing an increase of RMB9.54 trillion or 7.63% from the end of 2024. When measured in RMB, BNP recorded the highest growth rate among the six foreign banks at 12.99%, followed by Citi at 10.42%, with both JPM and WFC exceeding 8% expansion in total assets.

Overall, major state-owned banks achieved double-digit average asset growth, joint-stock banks maintained relatively stable growth rates, while foreign banks exhibited greater volatility in the average growth trajectories of their total assets.

Figure 1: Total Assets

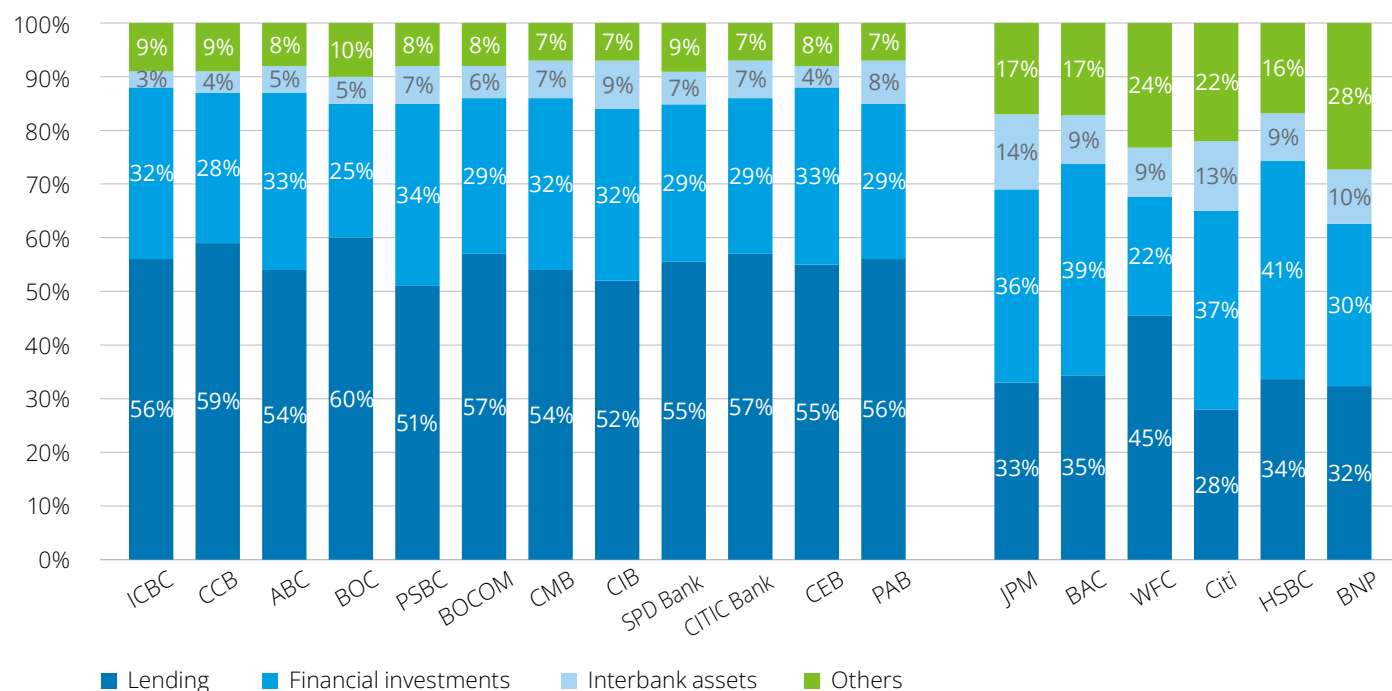
Unit: RMB100 million



There was no significant difference in the total asset composition of the six state-owned banks and the six joint-stock banks. The average proportion of lending of the 12 domestic banks stood at 55.36%, down by 0.94 percentage points from the end of 2024, while the average proportion of financial investments reached 30.47%, up by 0.88 percentage points, and the average proportion of interbank assets increased to 6.08%, rising by 0.18 percentage points. Against the backdrop of economic transformation and optimization of credit demand structures, banks proactively adjusted their asset allocation strategies, moderately reducing the share of credit assets and increasing allocations to financial investments to enhance portfolio robustness, liquidity, and stability of returns. Concurrently, proactive fiscal policies and prudent regulatory guidance have steered banks toward optimizing asset structures and strengthening capital-

intensive utilization, further accelerating this shift from scale expansion to quality enhancement.

The six foreign banks' average proportion of lending, financial investments and interbank assets were 34.41%, 34.18%, and 10.84%, down by 0.43, up by 0.37 and up by 1.47 percentage points, respectively, from the end of 2024. Foreign banks generally maintained lower proportion of lending than domestic banks but demonstrated higher allocations to financial investments and interbank assets. This divergence primarily stemmed from distinct operational environments, regulatory frameworks, and market-based financing systems between the two segments, driving fundamentally differentiated developmental trajectories and allocation preferences in their respective asset deployment strategies.

Figure 2: Asset Composition at the end of 2025


Credit expansion achieves steady progress: lending growth trends toward increasingly prudent equilibrium

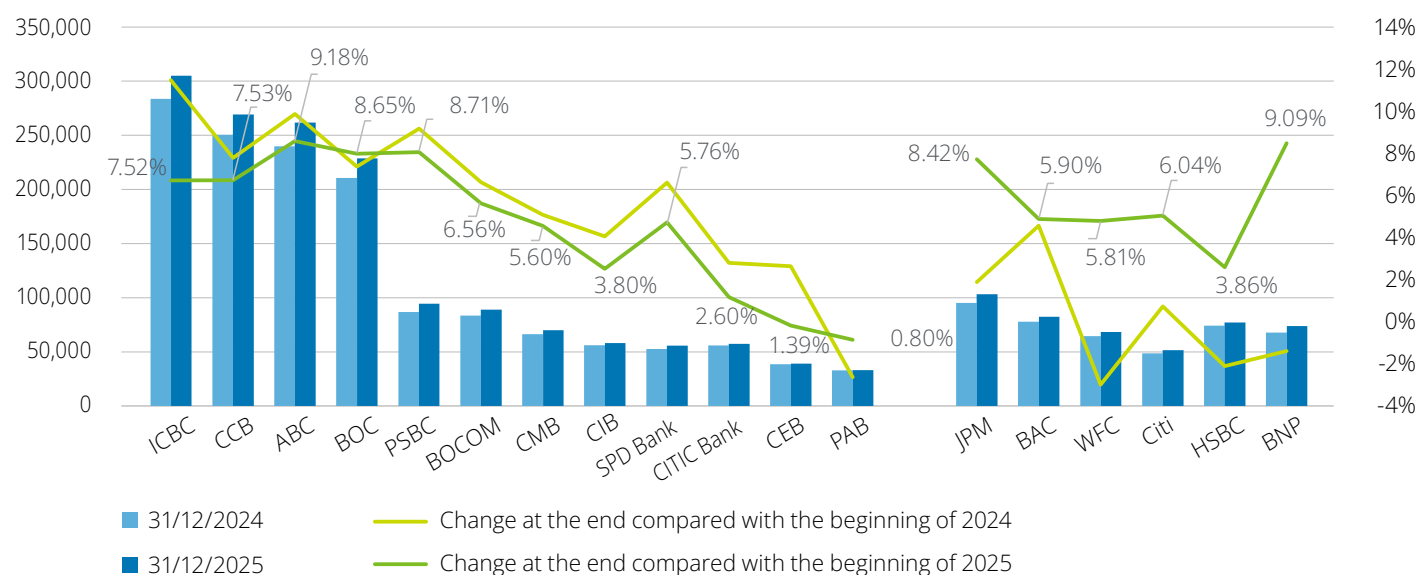
2025 marked both the conclusion of the “14th Five-Year Plan” and a pivotal phase for advancing the formulation of the “15th Five-Year Plan”. Amid a complex landscape characterized by intertwined domestic contradictions and escalating uncertainties and complexities in the external environment, China’s economy secured the 5% growth target, demonstrating features of “stability with progress under persistent pressure”. To implement the *Guidelines on Advancing the Five Major Financial Initiatives* issued by the General Office of the State Council and ensure the successful completion of financial reform tasks under the “14th Five-Year Plan”, the People’s Bank of China enhanced its framework of structural monetary policy tools and optimized credit allocation. By the end of 2025, the balance of structural monetary policy instruments supporting these initiatives reached RMB4.1 trillion, driving a notable decline in real economy financing costs alongside sustained improvements in financing availability and convenience. Concurrently, domestic banks, particularly major state-owned banks, expanded credit supply with steady growth in total loan issuance, continuously refining credit deployment structures to precisely channel resources toward key real economy sectors.

By the end of 2025, the book value of loans and advances issued by domestic banks totaled RMB156.21 trillion, rising by RMB10.46 trillion or 7.18% year-on-year from the prior year-end. Among the six state-owned banks, ABC led with a growth rate of 9.18%, while the other five all exceeded 6%, reflecting overall steady expansion. Within the joint-stock banks, SPD Bank and CMB were at the forefront, both sustaining growth rates above 5%, with SPD Bank topping this group at 5.76%.

At the end of 2025, foreign banks recorded a combined book value of loans and advances at RMB45.64 trillion, up by RMB2.83 trillion from the end of 2024, an average increase of 6.61%. Measured in RMB, BNP achieved the highest growth among its foreign peers at 9.09%, followed by JPM at 8.42%, while BAC, WFC, and Citi all registered growth rates around 6%.

Figure 3: Book Value of Loans and Advances

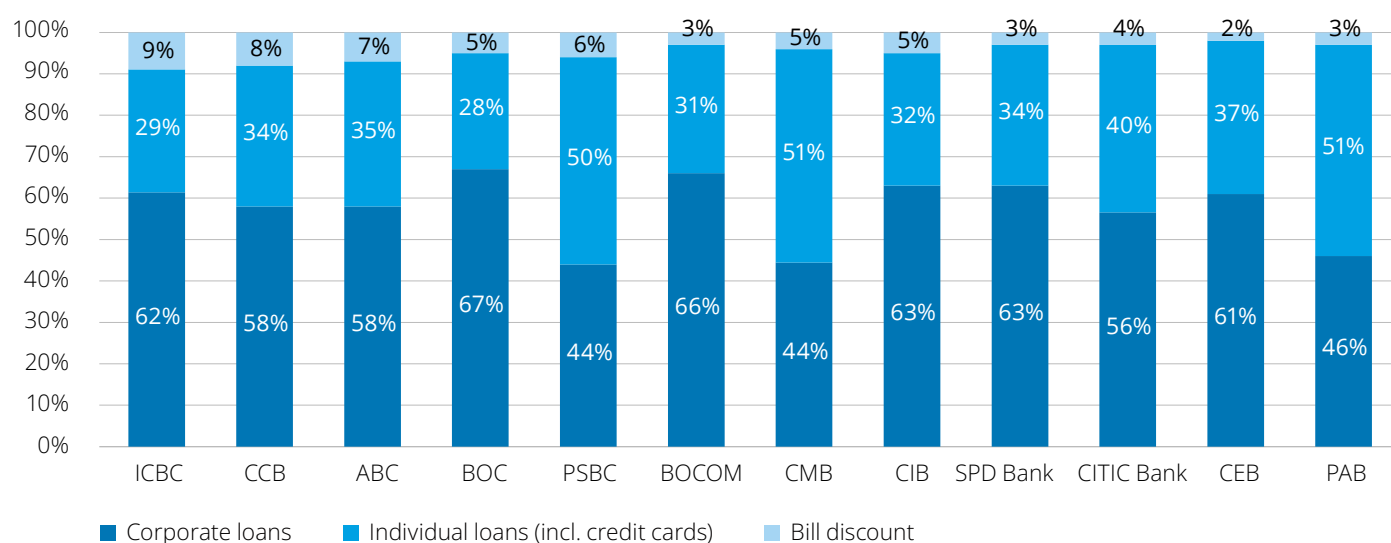
Unit: RMB100 million



Optimize credit resource allocation to reinforce all-out support for the real estate

At the end of 2025, the domestic banks' corporate loans, individual loans, and bill discount balances, on average, accounted for 57.43%, 37.70%, and 4.87% respectively, up by 2.36, down by 1.74, and down by 0.62 percentage points from the end of 2024. In proactive alignment with national policy directives, domestic banks have steadily expanded the scale and enhanced the efficiency of corporate loan

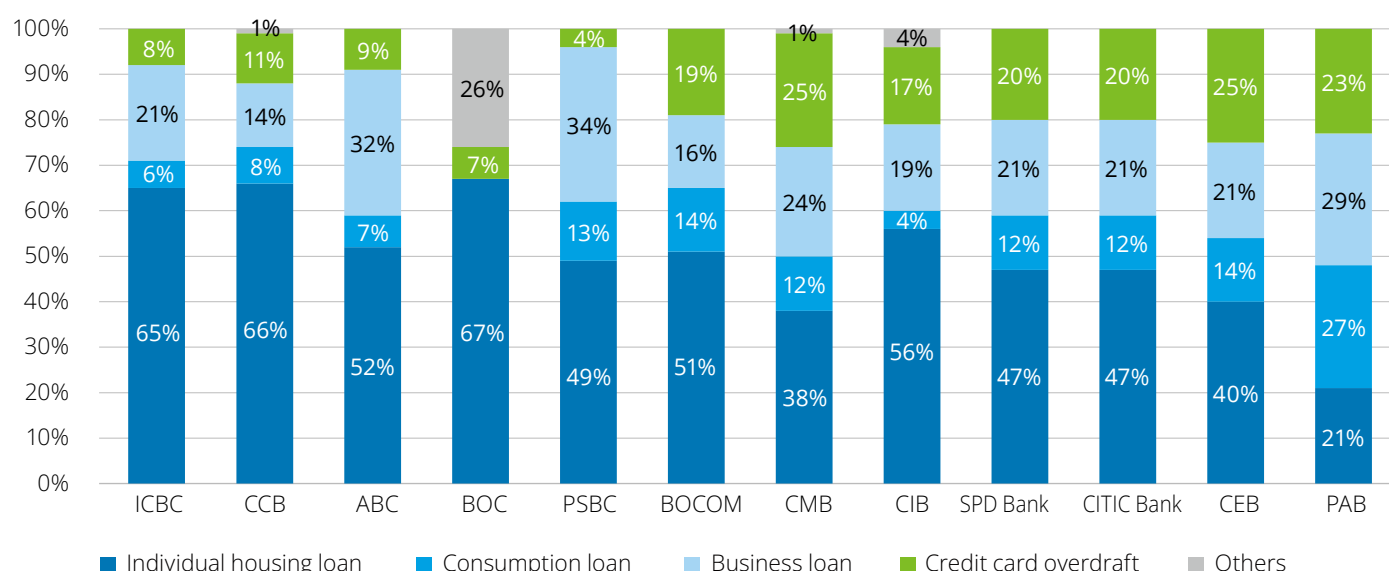
deployment, with BOC recording the highest corporate loan proportion at 67.29%, representing a modest rise from the prior year. CMB maintained the leading position in retail loans at 51.26%, closely followed by PAB at 50.94% and PSBC ranking third at 50.21%, while ICBC achieved the highest proportion in bill discount business at 8.73%.

Figure 4: Credit Asset Composition at the End of 2025

Regarding the composition of retail loans, the average proportion of domestic banks' individual housing loans at the end of 2025 reached 49.94%, down by 0.89 percentage points from the end of prior year, while the individual business loans, on average, accounted for 21.06%, up by 0.98 percentage points, the individual consumption loans averaged 10.55%, rising by 0.50 percentage points, and credit card overdrafts averagely accounted for 15.77%, decreasing by 0.79 percentage points. These movements stemmed from multiple overlapping factors including macroeconomic transformation and upgrading, deep adjustments in the real estate market, and temporary supply-demand imbalances, which have dampened home-buying sentiment and perpetuated weakness in effective mortgage demand, compounded by rising resident

willingness to repay loans early, thereby reducing the share of individual housing loans. Concurrently, subdued consumption willingness and income expectations, coupled with a slower pace of overall consumption recovery, have curtailed new credit card demand and stifled overdraft growth, prompting banks to proactively mitigate risks and refine services for existing customers, gradually transitioning credit card operations from a "scale-centric model" to "refined operations". The higher proportion of individual business loans clearly reflected intensified transformation efforts across the retail banking sector, as banks pivoted resources toward high-yield, real-economy-aligned, and inclusive businesses amid the contraction of traditional high-quality assets.

Figure 5: Retail Loan Composition at the End of 2025



Note: BOC did not disclose consumption loan and business loan balances separately

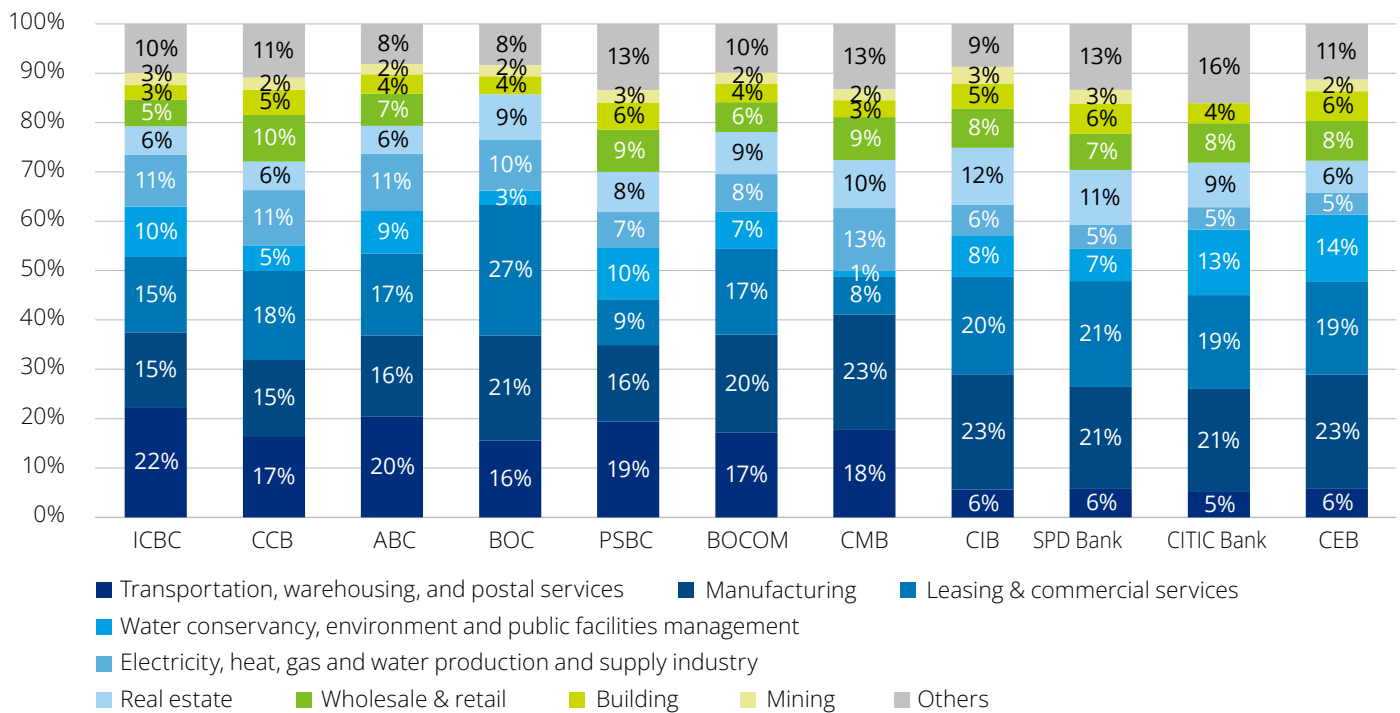
In 2025, domestic banks centered their efforts closely on serving the real economy, leveraging capital to guide credit resource allocation while maintaining stable overall credit supply, continuously optimizing credit structures and directing funds with precision. By scale proportion, the manufacturing sector and the leasing and business services sector recorded relatively high average shares at 17.99% and 17.89% respectively, rising by 0.36 and 0.68 percentage points year-on-year, with major state-owned banks exhibiting notably stronger credit deployment in transportation, warehousing, and postal services. Collectively, leasing and commercial services,

mining, wholesale & retail, and manufacturing sectors demonstrated significant scale increments, with loan balances increasing by over 10% from the end of 2024; specifically, loans for manufacturing expanded by RMB1.86 trillion and loans for leasing and commercial services by RMB2.13 trillion. In contrast, real estate loans decreased by RMB78.4 billion or 1.10%, accounting for 7.45% of total loans, a drop of 0.84 percentage points, reflecting a pervasive downtrend across domestic banks driven by deep real estate market adjustments, proactive bank efforts to reduce risk exposure, and coordinated macro policy controls.

All banks actively responded to national policy directives to support the healthy development of consumption supply entities and facilitate the transformation, upgrading, quality enhancement, and efficiency improvement of manufacturing and high-tech industries, thereby injecting robust financial momentum into the stable and sustained operation of the real economy. In 2025, CCB intensified support for micro and small technology enterprises, advancing specialized loan products such as “Shanxin Loan” and “Shanke Loan,” with their balance exceeding RMB160 billion, with a growth rate surpassing 50%. Focusing on the new industrialization strategy, the bank strengthened financial supply and optimized service systems, launching the “Shanjian Intelligent Manufacturing” initiative to actively bolster the intelligent, green, and integrated transformation of manufacturing. Concurrently, CIB continued to enhance its “four key pillars”—technology finance, green finance,

wealth banking, and investment banking—by expanding loan deployment aligned with manufacturing upgrades and green industry development. Medium- to long-term loans for manufacturing sector and PBOC-caliber green loans (corporate) grew by 14.91% and 19.64% respectively, both outpacing overall corporate loan growth, with its PBOC-caliber green loan balance maintaining the top position among joint-stock banks. SPD Bank concentrated on “five strategic tracks”—technology finance, supply chain finance, inclusive finance, cross-border finance, and treasury finance—shifting from scale expansion to quality-driven efficiency, where these tracks became pivotal growth drivers for corporate lending. Its medium- to long-term loans for manufacturing sector reached RMB359.926 billion, increasing by RMB41.014 billion or 12.86% from the end of 2024, exceeding the overall loan growth rate by 7 percentage points.

Figure 6: Corporate Loan Composition at the End of 2025



Note: BOC did not separately disclose loans to the wholesale & retail sector. CITIC Bank did not separately disclose loans to mining sector.

PAB has been excluded from the comparative chart analysis due to discrepancies in its industry classification statistical caliber compared with other banks.

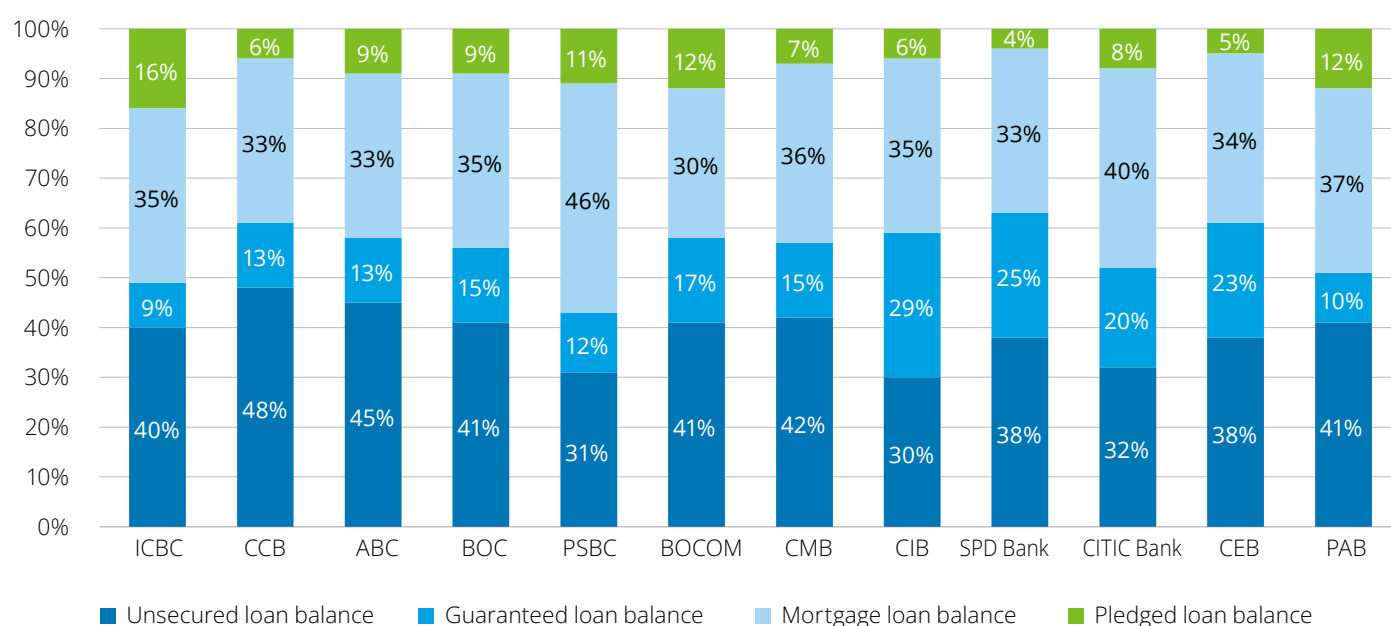
Unsecured and guaranteed loan shares rose, balancing and coordinating risks and income

In 2025, major domestic banks continued the trend of shifting their credit structures “in an innovation-led and high-quality direction”. They proactively adapted to the new environment where “a more proactive fiscal policy” and “an appropriately accommodative monetary policy” worked in concert with each other, and kept optimizing the credit resource allocation around the key tasks of “stabilizing growth, adjusting structure and preventing risks”. At the end of 2025, average proportions of domestic banks’ unsecured loans, guaranteed loans, mortgage loans and pledged loans stood at 41.17%, 14.25%, 34.85%, and 9.73%, respectively. The proportion of unsecured loans rose by 1.70 percentage points, guaranteed loans by 0.68 percentage points, and pledged loans by 0.12 percentage points, while the proportion of mortgage loans declined by 2.50 percentage points, from the prior year-end. In contrast to the sharp rise in the proportion of unsecured loans in 2024, the proportion of unsecured loans continued to climb but at a slower pace, and the proportion of guaranteed loans also increased in 2025. This pattern reflected that, with subdued effective credit demand, banks were expanding the supply of both unsecured and guaranteed loans in a more balanced

manner, placing greater emphasis on the risk-income trade-off, and achieving further refinement in the overall guarantee structure.

In terms of individual banks’ changes, at the end of 2025, all banks’ proportions of unsecured loans rose to varying degrees, except for CMB, whose proportion edged down by 0.06 percentage points. The average unsecured loan proportion of the six major state-owned banks was 42.27% in 2025, an increase of 1.90 percentage points from the beginning of the year. Among them, CCB’s proportion rose to 47.70% (the highest), up by 2.29 percentage points from the prior year-end, maintaining its lead among its peers. ABC’s unsecured loan proportion rose by 3.17 percentage points to 45.40%, the largest increase on record. The average unsecured loan proportion of joint-stock banks stood at 36.67%, up by 0.74 percentage points from the beginning of the year. The leading edge of the six major state-owned banks in unsecured loans remained solid, while joint-stock banks relied more on guaranteed loans as a complementary tool to unsecured loans to balance their credit structures.

Figure 7: Credit Assets at the End of 2025 by Guarantee Type



Note: PSBC, CMB, CIB, CITIC Bank, and PAB separately disclosed their bill discount balances, which were not included in their disclosed unsecured, guaranteed, mortgage, or pledged loans.

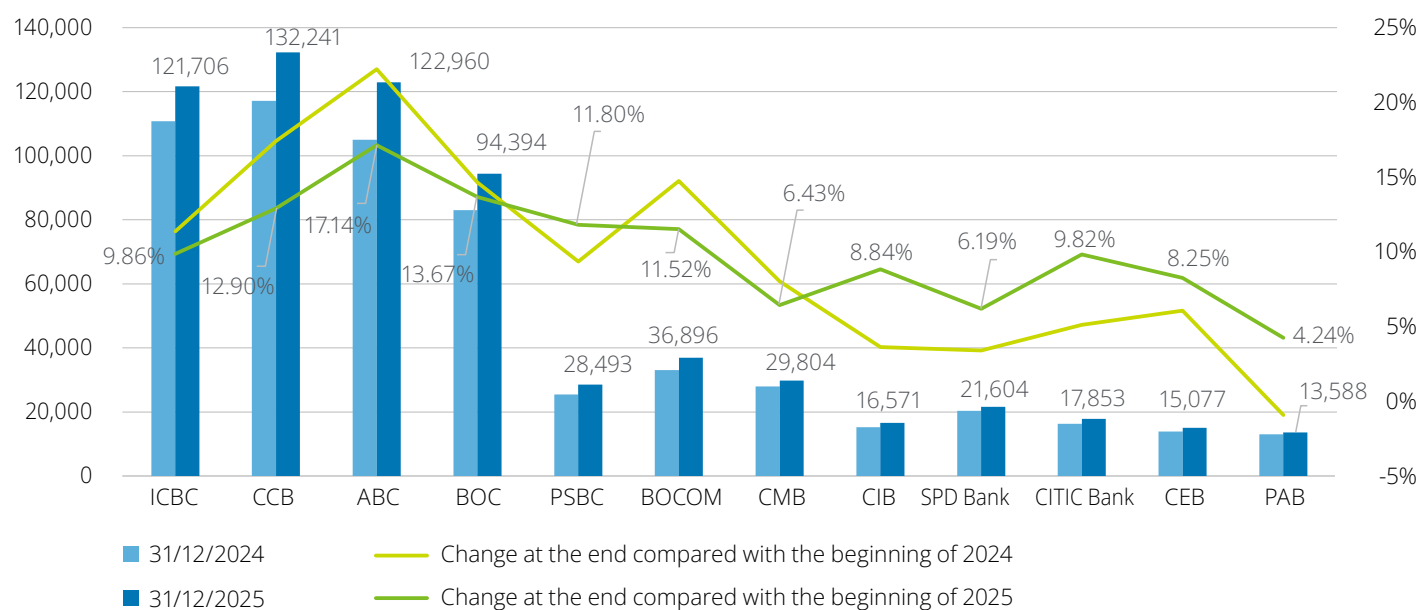
Domestic banks' total balance of unsecured loans at the end of 2025 was RMB65.12 trillion, an increase of RMB6.99 trillion or 12.03% from the beginning of the year. The growth rate edged down by 1.56 percentage points from the prior year-end, with the six major state-owned banks and joint-stock banks showing a clear divergence in their growth rates of unsecured loans. The average growth rate of the six major state-owned banks' unsecured loans stood at 12.82% in 2025 and 14.95% in 2024, respectively. Although the growth rates moderated from peak levels, both still registered a double-digit increase. Joint-stock banks' average growth rates rose markedly from 4.65% in 2024 to 7.21% in 2025, significantly narrowing the gap with major state-owned banks. ABC recorded the highest growth rate of unsecured loans at 17.14%, albeit retreating 5.08 percentage points from 2024. CIB saw the most notable acceleration, with its growth rate climbing from 3.62% to 8.84%, a year-on-year

rise of 5.22 percentage points. In sum, domestic banks' unsecured loan balances continued to expand. The major state-owned banks maintained relatively high growth rates, while joint-stock banks further accelerated their pace, though a gap with major state-owned banks persisted.

Overall, in 2025, banks continued to refine their credit supply strategies with varied priorities, and domestic banks broadly increased unsecured loans. In terms of guarantee type, the proportion of guaranteed loans generally recovered, with PSBC and SPD Bank recording the largest increases in proportion of guaranteed loans. Unsecured loans remained the key area of credit supply, yet as banks scaled up supply, they placed greater emphasis on risk-income trade-off, increasing guaranteed loans to optimize the overall guarantee structure.

Figure 8: Unsecured Loan Balance

Unit: RMB100 million



In terms of ratios of overdue unsecured loans, the average ratio of domestic banks' overdue unsecured loans was 1.36% at the end of 2025, down by 0.22 percentage points from 1.58% at the prior year-end, marking an overall improvement in asset quality. The average ratios of overdue unsecured loans for both the six major state-owned banks and joint-stock banks declined, with the gap narrowing significantly. At the end of 2025, the average ratio of the six major state-owned banks' overdue unsecured loans held steady at 0.95%, unchanged from the prior year-end, while

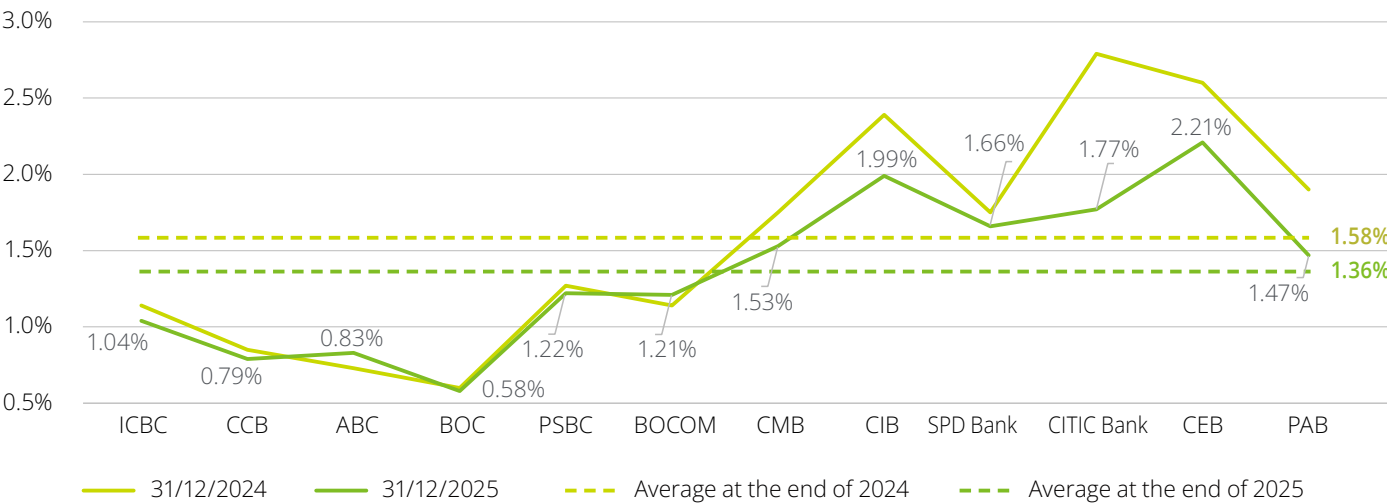
the average ratio of joint-stock banks' overdue unsecured loans dropped sharply by 0.43 percentage points to 1.77%. The gap between the major state-owned and joint-stock banks' average ratios narrowed from 1.25 percentage points to 0.83 percentage points, though joint-stock banks' ratios remained higher than those of major state-owned banks. Among the six major state-owned banks, ICBC recorded the most remarkable decline, with its ratio falling from 1.14% to 1.04%, down by 0.10 percentage points. BOC's ratio edged down to 0.58%, thereby sustaining the sector's

highest standard. Joint-stock banks all saw notable declines in their ratios of overdue unsecured loans. PAB posted the lowest ratio among joint-stock banks at 1.47%, with a drop of 0.43 percentage points. CITIC Bank recorded the most remarkable decline of 1.02 percentage points. CEB's ratio remained elevated at 2.21%, making it the only bank with a ratio above 2%.

Overall, in 2025, domestic banks' proportion of unsecured loans continued to rise, while the ratio of overdue unsecured loans followed a pattern of "overall decline with structural divergence", demonstrating a positive interplay between scale expansion and risk control. Major state-owned banks saw their ratios trend downward overall, consistent with their steady unsecured loan growth. The effectiveness of retail risk control became increasingly evident, and

the adaptability of traditional risk control models to the shift toward unsecured loans continued to improve. Joint-stock banks achieved significant improvements in their ratios of overdue unsecured loans, attributable to relatively thorough prior risk resolution, credit structure optimization, and digital risk control advantages. Through a combined "unsecured + guaranteed" lending strategy, they have realized a virtuous cycle of "volume growth with quality improvement". The development of loan structures among domestic banks is shifting from a "scale race" to a "quality contest". Domestic banks need to establish dynamic balancing mechanisms between customer base expansion and risk containment, strengthen scenario-based risk control and real-time monitoring capabilities, and promote high-quality growth of unsecured loans.

Figure 9: Ratio of Overdue Unsecured Loans



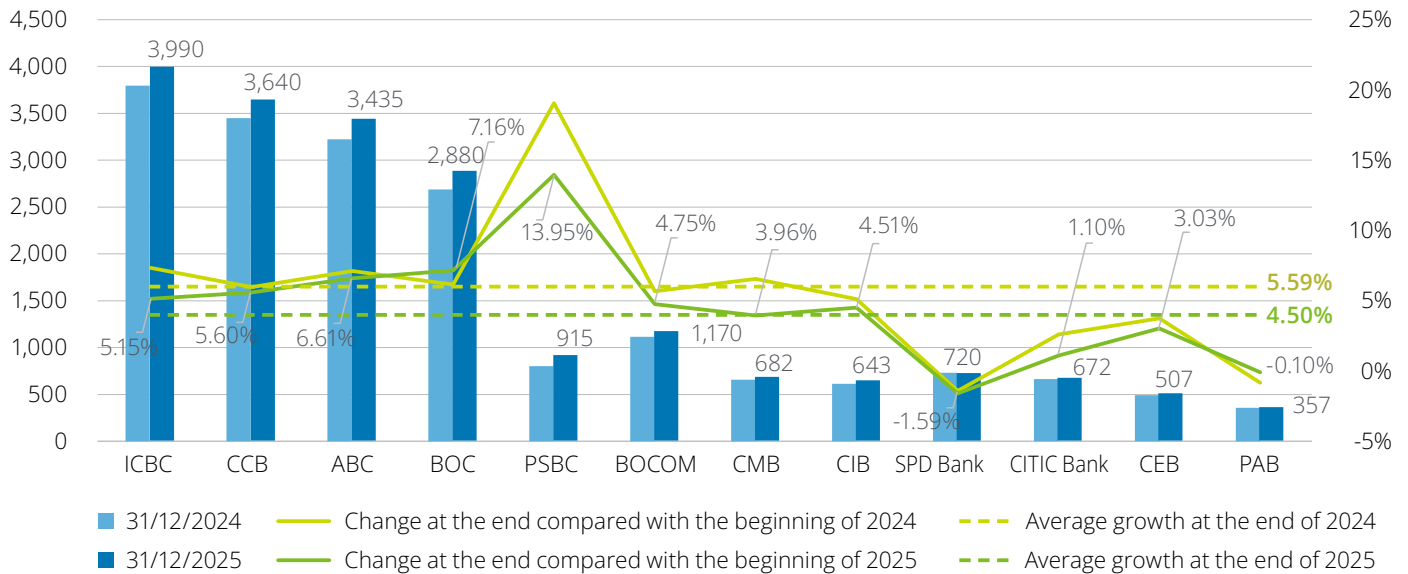
Asset quality maintained steady growth, risk control capabilities enhanced progressively

At the end of 2025, domestic banks' balance of non-performing loans totaled approximately RMB1.96 trillion, an increase of RMB102.1 billion or 5.50% from the beginning of the year. The balance of non-performing loans continued to grow, but the pace of increase narrowed notably, reflecting marginally eased credit risk migration pressure. By bank, PSBC posted the highest balance growth of non-performing loans at 13.95%, representing a sharp decline of 5.11 percentage points from 2024, the most remarkable decline in the sector. CMB's balance of non-performing loans grew

3.96%, down by 2.59 percentage points from 2024, marking the most remarkable decline in non-performing loan growth among joint-stock banks. SPD Bank and PAB both achieved year-on-year declines in non-performing loan balances, falling by 1.59% and 0.10% respectively, reflecting continued asset quality improvement. While expanding credit supply, the banking sector maintained overall asset quality stability by strengthening risk control in key areas and intensifying recovery and disposal efforts of non-performing assets.

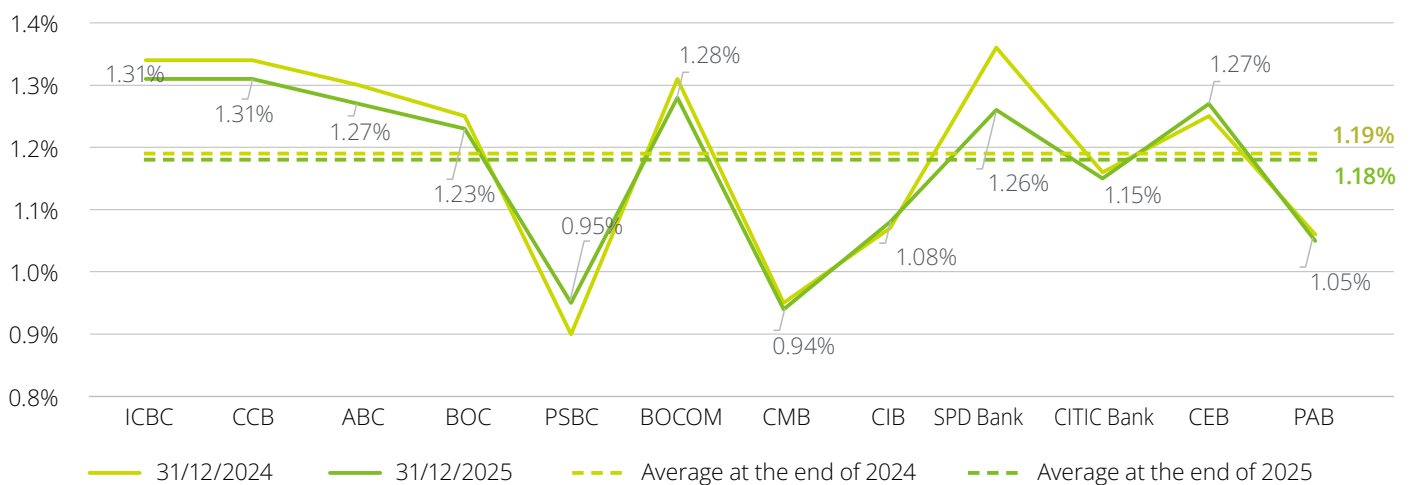
Figure 10: Non-performing Loan Balance

Unit: RMB100 million



Domestic banks' non-performing loan ratio maintained steady growth, with credit asset quality remaining broadly stable. At the end of 2025, domestic banks' average non-performing loan ratio was 1.18%, down by 0.01 percentage points from the beginning of the year. The non-performing loan ratio of PSBC, CIB, and CEB rose by 0.05, 0.01, and 0.02 percentage points respectively from the beginning of 2025, while that of the remaining domestic banks dropped. Major state-owned banks served as bellwethers, with five of them achieving non-performing loan ratio reductions. ICBC and

CCB both brought their ratios down to 1.31%, ABC to 1.27%, and BOCOM to 1.28%. Asset quality among joint-stock banks improved divergently. CMB, CIB, and PAB continued to stay at low levels, with CMB's non-performing loan ratio at 0.94%, remaining the lowest among domestic banks. SPD Bank recorded the most remarkable decline, with its non-performing loan ratio falling by 0.10 percentage points from the beginning of the year to 1.26%, the lowest in nearly 11 years, and achieved a simultaneous decline in both non-performing loan balance and ratio.

Figure 11: Non-performing Loan Ratio

Overall, in 2025, guided by the policy orientation of “stabilizing growth while preventing risks”, domestic banks continued to deepen the reform of comprehensive risk management frameworks. As risk resolution in key areas advanced in an orderly manner and differentiated empowerment through digital risk control capabilities

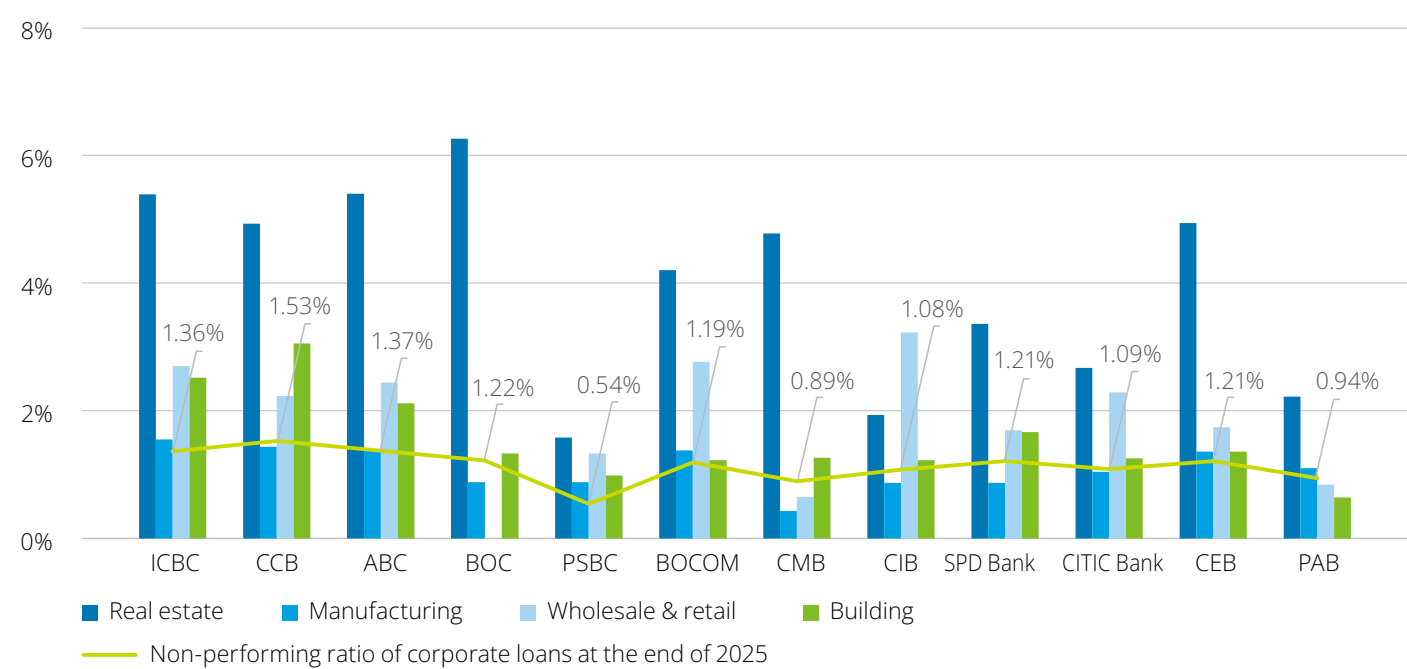
gained traction, the banking sector’s approach to risk control shifted gradually from “passive defense” to “proactive empowerment”, achieving a better balance between support of the real economy and risk prevention through digital risk control, targeted measures in key areas, and efficient disposal of non-performing assets.

Corporate credit quality improved, with real estate risks gradually stabilized

In 2025, China’s economy operated steadily amid headwinds, making steady progress with new advances and quality improvements, and achieving new results in high-quality development. The banking sector strictly complied with regulatory requirements, actively implemented comprehensive financial asset risk classification controls, precisely executed the new five-tier classification rules, and continuously optimized credit allocation and structures. Meanwhile, the sector accelerated risk resolution through diversified channels including bulk transfer, asset securitization, debt restructuring, and market-based write-

offs. At the end of 2025, average non-performing ratio of domestic banks’ corporate loans stood at 1.14%, down by 0.10 percentage points from 1.24% at the beginning of the year. BOCOM recorded the most remarkable decline, with its non-performing ratio of corporate loans falling by 0.28 percentage points from the beginning of the year. PSBC, CMB, CIB, CITIC Bank, and PAB all kept their non-performing ratio of corporate loans below 1.10%. By sector, the average non-performing ratios in the real estate sector and the building sector climbed, while those of all other sectors dropped from the beginning of the year.

Figure 12: Sectors with a Higher Non-performing Loan Ratio at the End of 2025

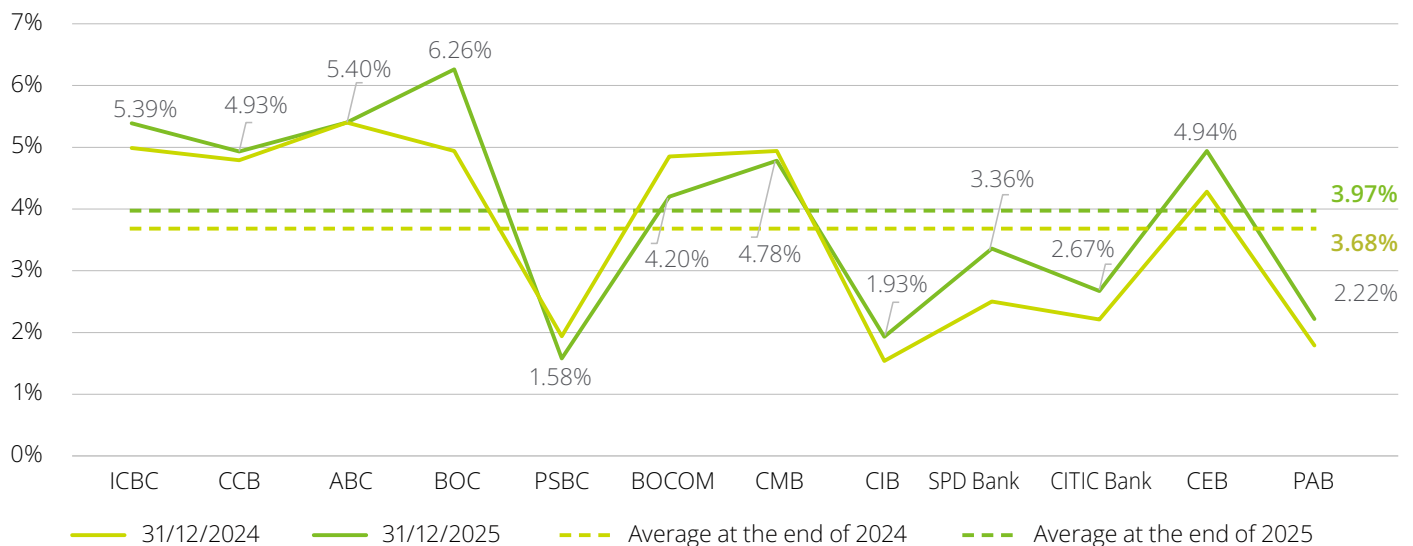


Note: BOC did not disclose its non-performing loan ratio in the wholesale & retail sector.

In 2025, the real estate sector continued its in-depth adjustments and bottoming-out recovery. Existing risks were being mitigated in an orderly manner, and debt restructuring gradually shifted from “exchanging time for space” (delaying near-term pressure to resolve problems over a longer horizon) to substantive debt resolution and systematic repair. Meanwhile, liquidity pressure persisted for some highly leveraged real estate enterprises, debt restructuring processes diverged, and domestic and overseas bond default risks had not yet been fully resolved. As of the end of 2025, the average non-performing loan ratio of domestic banks in the real estate sector stood at 3.97%, up by 0.29 percentage points from the beginning of the year. The performance of major state-owned banks diverged: PSBC’s and BOCOM’s non-performing loan ratios in the real estate sector decreased slightly, ABC’s ratio remained flat, while those of the remaining three banks rose. CCB’s non-performing loan ratio in the real estate sector was 4.93%, staying relatively low among the four major state-owned banks and better capturing structural opportunities in the real estate market. BOC’s non-performing loan ratio in the real estate sector, at 6.26%, was notably higher than the

peer average, attributable to its larger outstanding balance of corporate real estate loans, higher concentration of credit exposure to distressed real estate enterprises, and relatively higher risk exposure. Among joint-stock banks, only CMB saw its non-performing loan ratio decline. Although CIB’s non-performing loan ratio in the real estate sector rose, its level of 1.93% remained low among joint-stock banks. SPD Bank’s ratio climbed from 2.50% to 3.36%, an increase of 0.86 percentage points from the beginning of the year, the largest rise among its peer group. CEB’s non-performing loan ratio in the real estate sector was 4.94%, ranking the top among joint-stock commercial banks. Overall, affected by the rational contraction of credit scale and the orderly exposure of existing risks, the non-performing loan ratio in the real estate sector edged up, and overall credit risk remained controllable. Going forward, domestic banks need to further implement the real estate financing coordination mechanism and differentiated credit policies, focus on targeted credit supply to high-quality real estate enterprises and whitelist projects, strengthen special financial support for “ensuring delivery of pre-sold housing”, and consolidate the foundation of credit asset quality.

Figure 13: Non-performing Loan Ratio in the Real Estate Sector



Domestic banks have stayed committed to their fundamental mission of serving the real economy, focusing on key sectors, regions, and customers, and continuously optimizing the structure of credit resource allocation to improve both precision and adaptability of credit allocation and enhance both guidance and effectiveness of financial resource allocation. Credit asset quality in key areas backed by banks, such as the manufacturing sector and the wholesale & retail sector, continued to improve, with non-performing loan ratios declining steadily. As of the

end of 2025, the average non-performing ratio of loans to manufacturing enterprises dropped to 1.10%, down by 0.16 percentage points from the beginning of the year, while the average non-performing ratio in the wholesale & retail sector fell to 1.99%, down by 0.41 percentage points from the beginning of the year. The continued improvements in non-performing loan ratios in key areas not only reflected the effectiveness of credit structure optimization, but also underscored the robust support that finance provided to the real economy.

Figure 14: Non-performing Loan Ratio in the Manufacturing Sector

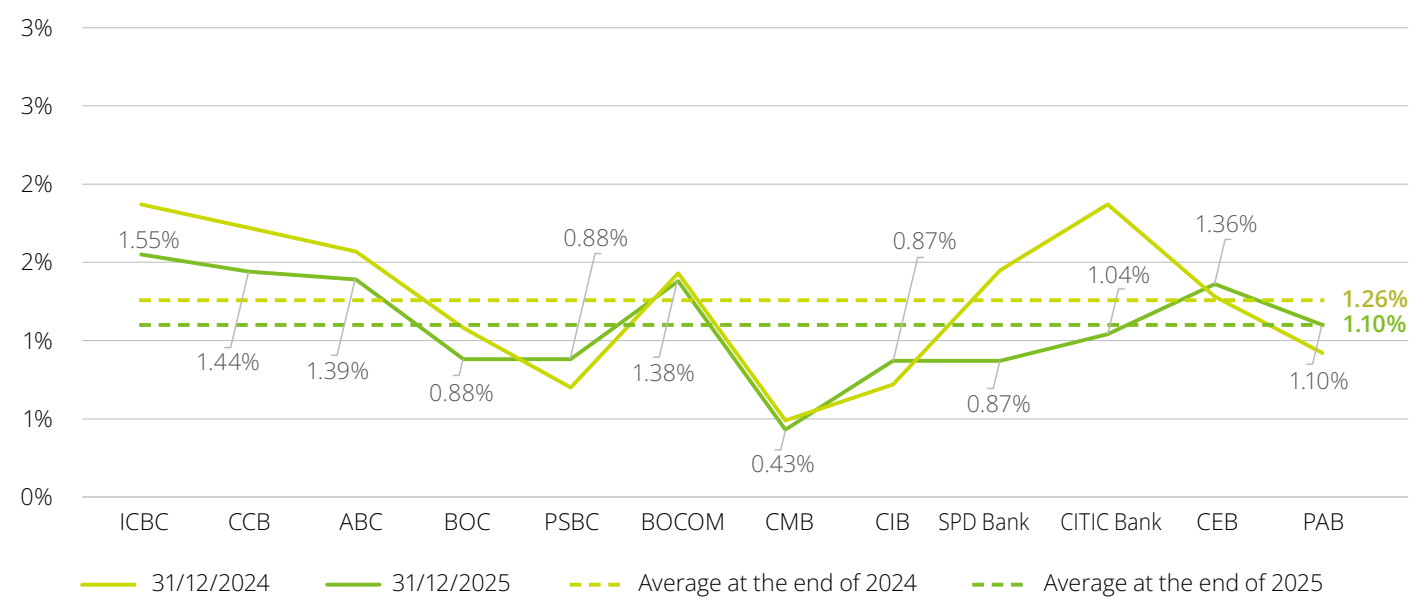
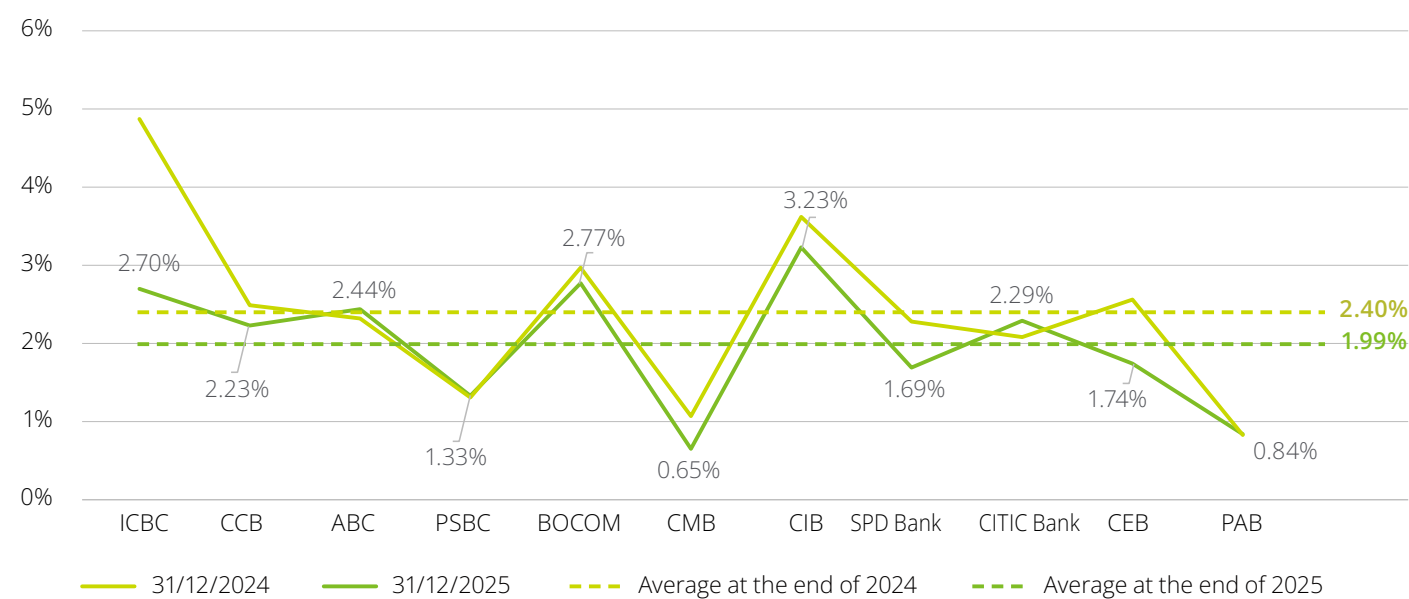


Figure 15: Non-performing Loan Ratio in the Wholesale & Retail Sector



Note: BOC did not disclose its non-performing loan ratio in the wholesale & retail sector.

The real estate market continued in-depth adjustments, with mortgage loans under pressure on both volume and quality



In 2025, China's real estate market kept undergoing in-depth adjustments, with overall recovery showing a gradual pattern. For the full year, the total floor area of sold newly built commercial housing stood at 881.01 million square meters, down by 8.7 percentage points from 2024; newly built commercial housing sales amounted to RMB8,393.7 billion, down by 12.6 percentage points from 2024, with residential housing sales declining by 13.0 percentage points from 2024. On the investment side, nationwide real estate development investment reached RMB8,278.8 billion for the year, down by 17.2 percentage points year-on-year, of which residential housing investment fell by 16.3 percentage points from 2024, remaining in an in-depth adjustment channel. On the inventory side, the total floor area of unsold commercial housing nationwide was 766.32 million square meters, only up by 1.6% year-on-year, a sharp narrowing compared with the average annual growth of 13.4% from 2022 to 2024, reflecting notable destocking results.

On the policy side, the Central Economic Work Conference specified the overarching goal of "striving to stabilize the real estate market", upheld the regulatory tone of "prioritizing stability while seeking progress", and rolled out a targeted and systematic policy package centered on four core objectives: "stabilizing the market, benefiting people's

livelihoods, preventing risks, and promoting transformation". On the demand side, policies focused on meeting people's essential need for a home to live in and their demands for better housing, lowering housing purchase thresholds and bolstering market confidence through optimizing restrictive policies, innovating financial instruments, and extending subsidy policies, to drive steady demand-side recovery. On the supply side, with "curbing new supply, destocking, and optimizing supply" as core objectives, policies controlled land supply, adjusted product mix, and revitalized existing assets to resolve debt risks of real estate enterprises, promote a higher level of dynamic balance between supply and demand, and steer the sector toward high-quality development.

In 2025, domestic banks strictly implemented the country's guidelines and regulatory requirements for housing credit, adhering to the principle of differentiated policies based on cities' local conditions to promote the stable operation of the real estate market. However, affected by the residential housing purchase market's recovery falling short of expectations, domestic banks' individual housing loans edged down compared with the beginning of the year, while the non-performing loan ratio edged up. Statistics show that individual housing loan balances of the six major state-owned banks declined to varying degrees

from the beginning of the year, with ICBC posting the most remarkable decline of 3.41%, closely followed by ABC, whose individual housing loan balance fell by 3.38% from the beginning of the year. Joint-stock banks showed a divergent performance: apart from CIB and CEB, whose individual housing loan balances declined, all other domestic banks maintained resilient growth. At the end of 2025, average

non-performing ratio of domestic banks' individual housing loans was 0.73%, up by 0.09 percentage points from the beginning of the year. By institution, SPD Bank recorded the highest non-performing ratio of 1.10%; BOCOM's non-performing ratio rose most by 0.43 percentage points from the beginning of the year.

Figure 16: Balance of Individual Housing Loans

Unit: RMB100 million

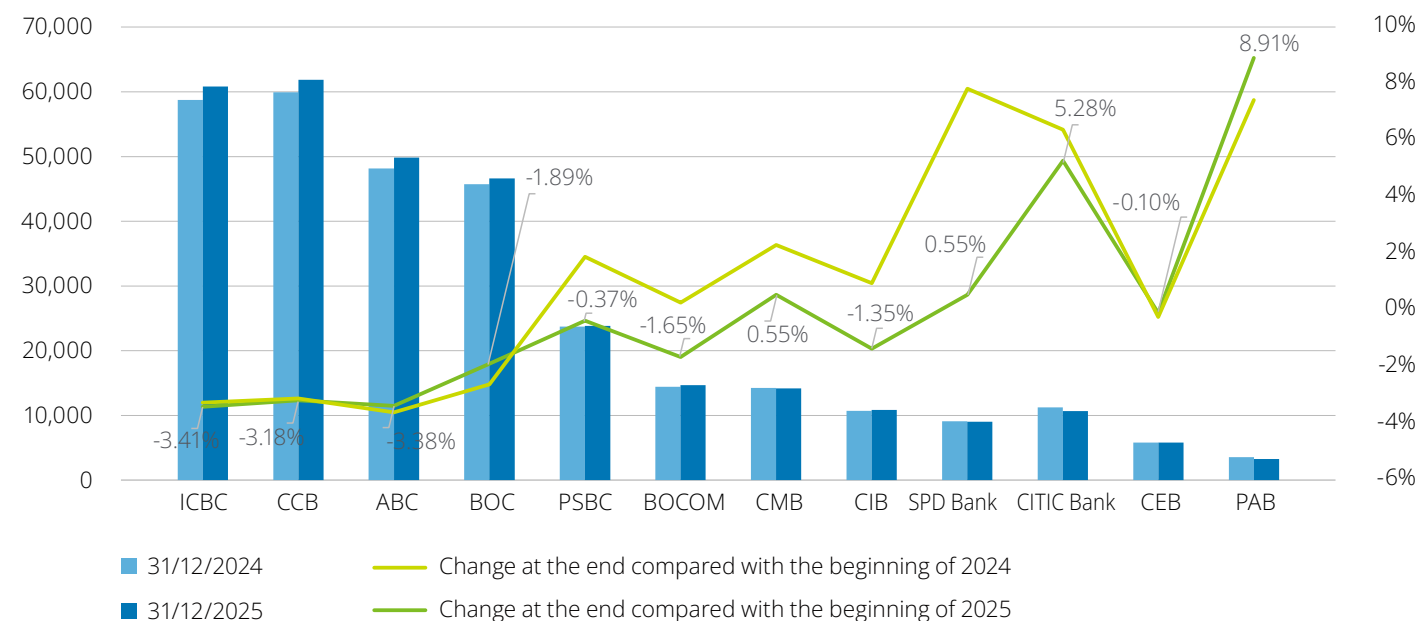
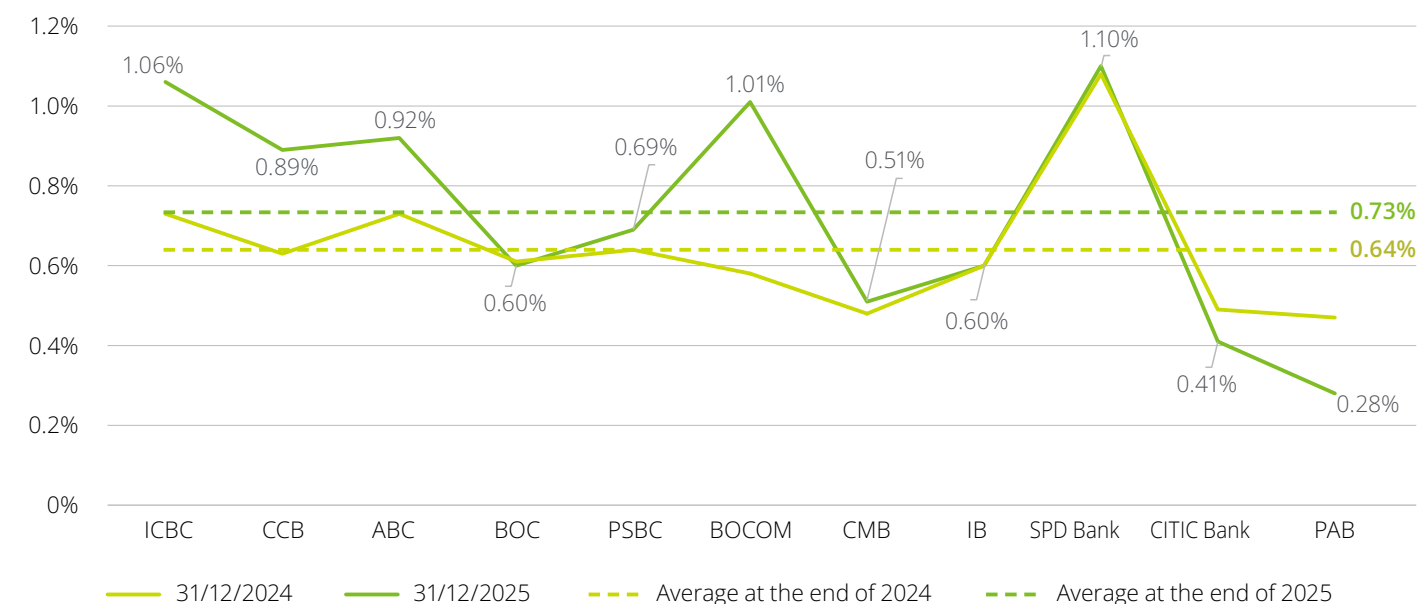


Figure 17: Non-performing Ratio of Individual Housing Loans



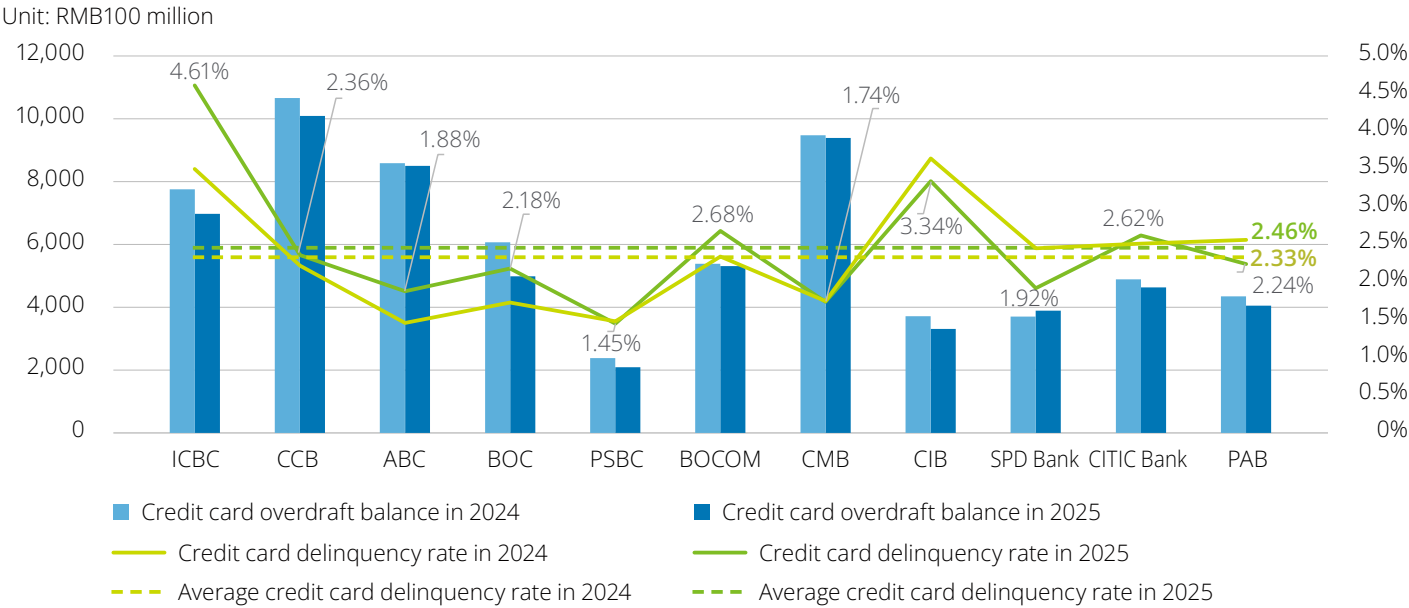
Note: CEB did not disclose its non-performing ratio of individual housing loans.

The credit card business scale contracted, exposing asset quality to prominent risks under pressure

In recent years, domestic banks' credit card business has accelerated its transformation, gradually moving away from the extensive growth model and entering a stage of refined and high-quality development. According to PBOC's *Payment System Report (2025)*, the number of credit cards and combined credit-debit cards nationwide has declined for four consecutive years, with cumulative number of credit cards issued reaching 696 million at the end of 2025, down by 31 million from the prior year-end, making the sector's contraction clear. As card issuance declined, credit card loan balances also showed a pattern of "overall contraction with more declines than increases". Major state-owned banks' credit card loan scales generally recorded negative growth: BOC posted the most remarkable decline of 17.78%, shrinking by over RMB100 billion, while other major banks also declined to varying degrees; CCB's credit card business retained the top position in the sector with a balance of RMB1,009.1 billion. Among joint-stock banks, only SPD Bank achieved positive growth, with its balance increasing by RMB19.104 billion or 5.16%; the rest's credit card business generally contracted, with CIB recording the most remarkable decline of RMB40.771 billion or 10.97%; CMB firmly ranked first among joint-stock banks with a scale of RMB939.115 billion, second only to CCB, with a year-on-year decrease of only 0.92%.

In terms of asset quality, the banking sector's average credit card delinquency rate stood at 2.46% at the end of 2025, up by 0.13 percentage points from 2.33% at the beginning of the year, with overall credit risk edging up. Delinquency rate differentiation among institutions intensified: PSBC, CMB, CIB, SPD Bank, and PAB saw their delinquency rates decline, with SPD Bank recording the most significant improvement as its credit card delinquency rate fell from 2.45% to 1.92%, down by 0.53 percentage points year-on-year; although CIB recorded the highest delinquency rate among joint-stock banks, its rate was brought down to 3.34% during the year; ICBC's delinquency rate surged by 1.11 percentage points to 4.61%, the highest in the sector; CCB's delinquency rate increased marginally by 0.14 percentage points to 2.36%, showing an upward trend. Overall, despite commercial banks proactively reducing high-risk exposure in their credit card business and contracting credit scale, credit card asset quality remains under considerable pressure amid a macro environment of slowing consumption recovery, residents' income and expenditure expectations yet to fully improve, and periodic constraints on residents' consumption willingness and debt repayment capacity. Going forward, banks still need to strictly control access to risk-prone customer groups, deepen refined operation of quality customers, implement differentiated and dynamic credit limit management, strengthen risk forecasting and disposal effectiveness, and promote coordinated and balanced development of business scale, income, and risk control.

Figure 18: Credit Card Overdraft Balance and Delinquency Rate



Note: CEB did not disclose its non-performing ratio of individual housing loans.

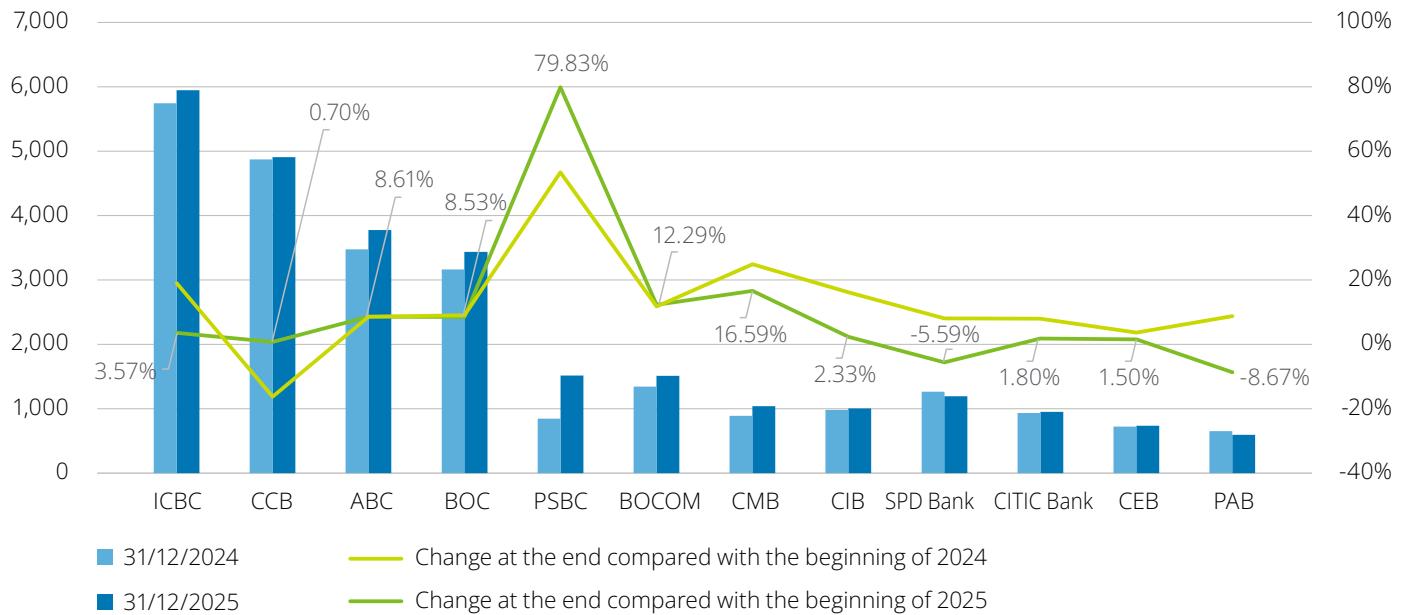
Special-mention loan migration ratio rose, with persistent credit risk migration pressure

Overall, domestic banks' special-mention loans increased at the end of 2025, with a total balance of RMB2.66 trillion, up by RMB171.8 billion from the beginning of the year. Specifically, the six major state-owned banks' special-mention loan balance totaled RMB2.11 trillion, an increase of RMB164.6 billion or 8.47% from the beginning of the year. Among them, PSBC recorded the most significant increase and the highest growth rate, with its special-mention loan balance up by RMB67.3 billion from the beginning of the year, representing

a growth rate of 79.83%. Joint-stock banks' special-mention loan balance totaled RMB551.7 billion, up by RMB7.0 billion or 1.31% from the beginning of the year, down by 10.04 percentage points year-on-year. Among them, CMB's special-mention loans increased by 16.59% from the beginning of the year, a relatively large growth rate; CIB, CITIC Bank, and CEB all recorded proportionate increases, while SPD Bank's special-mention loans declined, down by RMB7.1 billion from the beginning of the year.

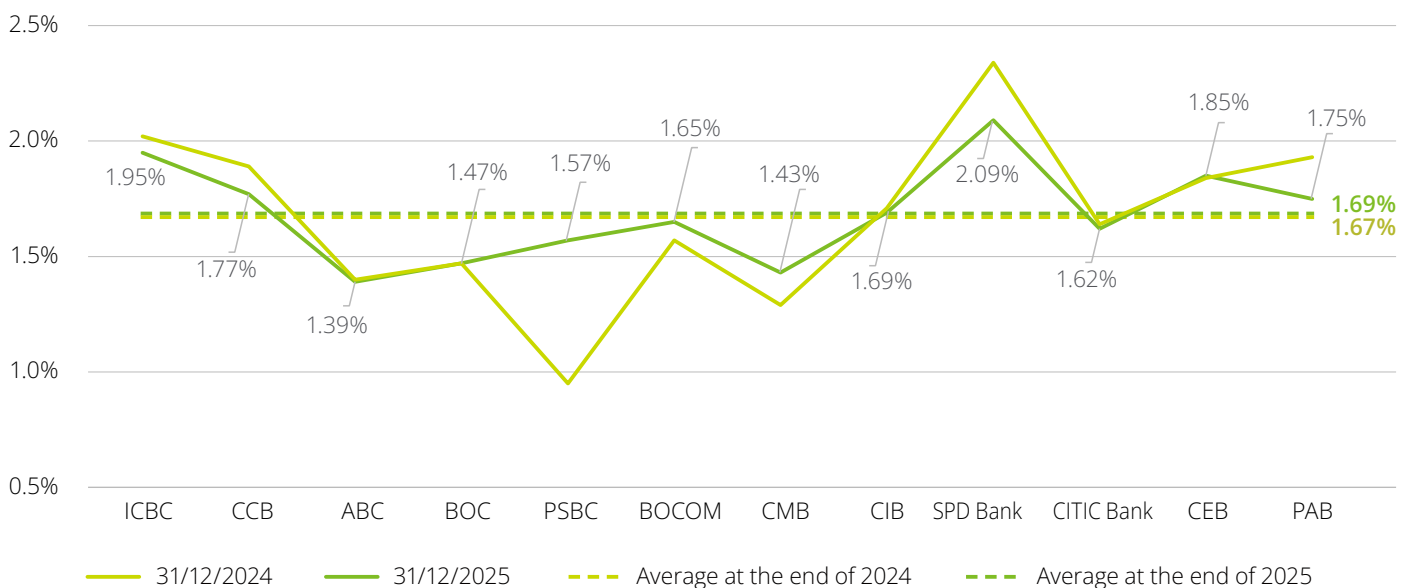
Figure 19: Special-mention Loan Balance

Unit: RMB100 million



In terms of proportion of special-mention loans, the average proportion of domestic banks' special-mention loans was 1.69%, up by 0.02 percentage points from the beginning of the year. Specifically, PSBC's proportion rose by 0.62 percentage points from the beginning of the year, the most remarkable rise, but its proportion remained relatively low among domestic banks at 1.57%. In addition, some banks' proportions declined to varying degrees, with SPD Bank recording the most remarkable decline to 2.09%, down

by 0.25 percentage points from the beginning of the year, yet its proportion remained the highest; CCB's and CIB's proportion declined to 1.77% and 1.69%, respectively. Overall, the proportion of domestic banks' special-mention loans presented a pattern of overall stability with a slight increase, while differences among banks continued to diverge, with some banks achieving a decline in their special-mention loan proportions.

Figure 20: Proportion of Special-mention Loans

In 2025, the average migration ratio of domestic banks' pass loans was 1.42%, down by 0.05 percentage points from 2024, with SPD Bank recording the most remarkable decline of 0.30 percentage points from 2024. The average migration ratio of special-mention loans was 26.25%, up by 2.05 percentage points from 2024. CMB's and CEB's migration ratio of special-mention loans fell by 6.40 and 0.67 percentage points respectively, while the remaining domestic banks' migration ratios of special-mention loans rose to varying degrees, with PSBC recording the most remarkable increase of 9.57 percentage points.

From a structural perspective, migration ratios of pass loans remained stable with marginal improvements, while migration ratios of special-mention loans edged up, reflecting obvious structural characteristics in risk

transmission. On one hand, steady macroeconomic recovery drove credit performance of existing quality assets to stabilize, easing downward pressure on pass loans. On the other hand, affected by in-depth adjustments in the real estate sector, continuous exposure of some real estate enterprises' risks, and weak consumer demand recovery, downward migration pressure on special-mention loans that had already shown early signs of risk intensified further, with the risk resolution process still ongoing. Due to differences in customer structure, asset investments, and risk disposal efforts across banks, migration ratio trends also diverged among institutions. Overall, only CMB and CEB achieved a 'double decline' in the migration ratios of both pass and special-mention loans. In general, domestic banks' credit risk migration pressure has not been fully alleviated, and asset quality management still requires continued efforts.

Figure 21: Migration Ratio of Pass Loans

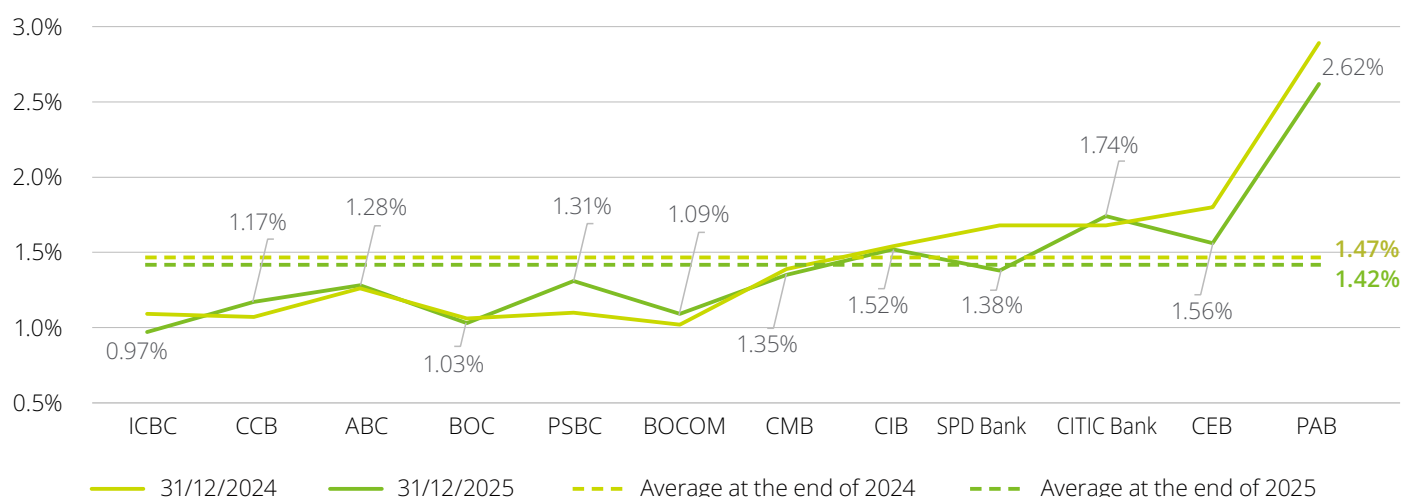
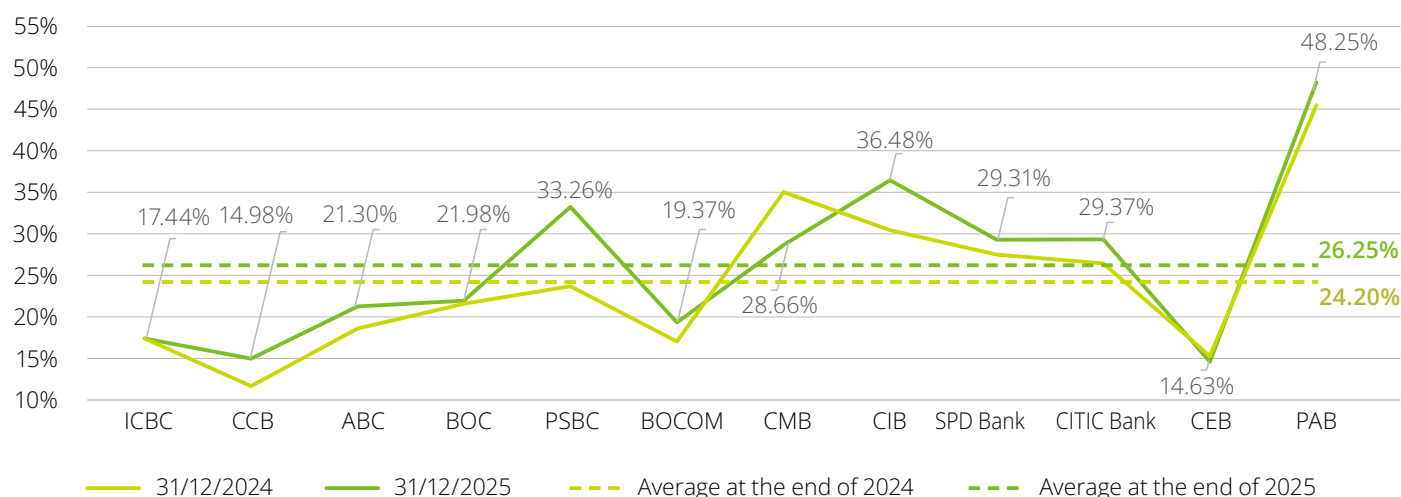


Figure 22: Migration Ratio of Special-mention Loans



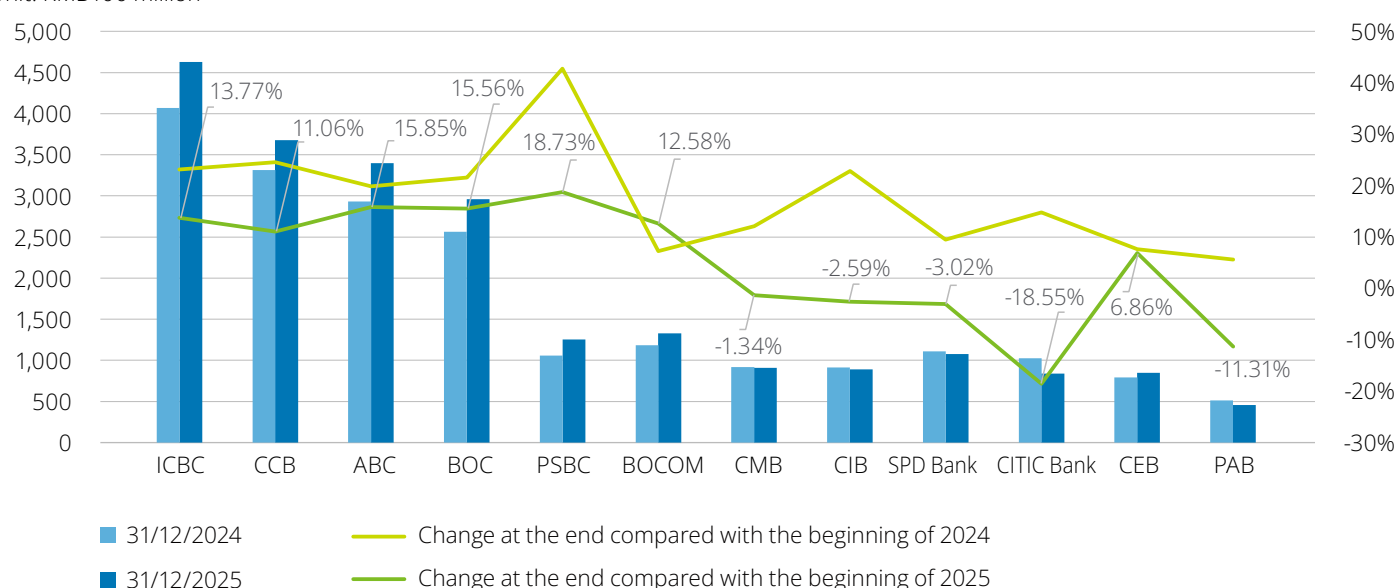
Growth rate of overdue loans declined, and the non-performing ratio of overdue loans narrowed

At the end of 2025, domestic banks' overdue loan balance totaled RMB2.23 trillion, an increase of RMB187.2 billion or 9.19% from the beginning of the year. The trend in domestic banks' overdue loan balances diverged in 2025. PSBC, ABC, and BOC recorded a relatively higher growth rate of overdue loans by 18.73%, 15.85%, and 15.56% respectively from

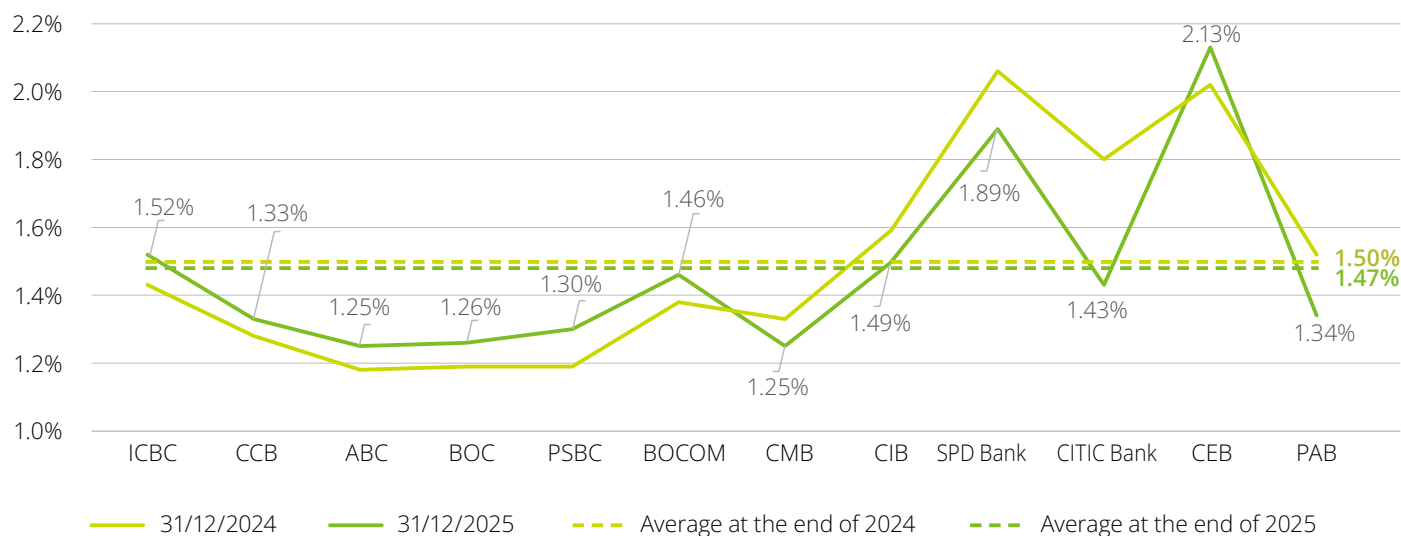
the beginning of the year. CITIC Bank and PAB recorded relatively notable declines in their overdue loan balances, down by 18.55% and 11.31% respectively from the beginning of the year, while CMB, CIB, and SPD Bank also saw slight decreases in their overdue loan balances.

Figure 23: Overdue Loan Balance

Unit: RMB100 million

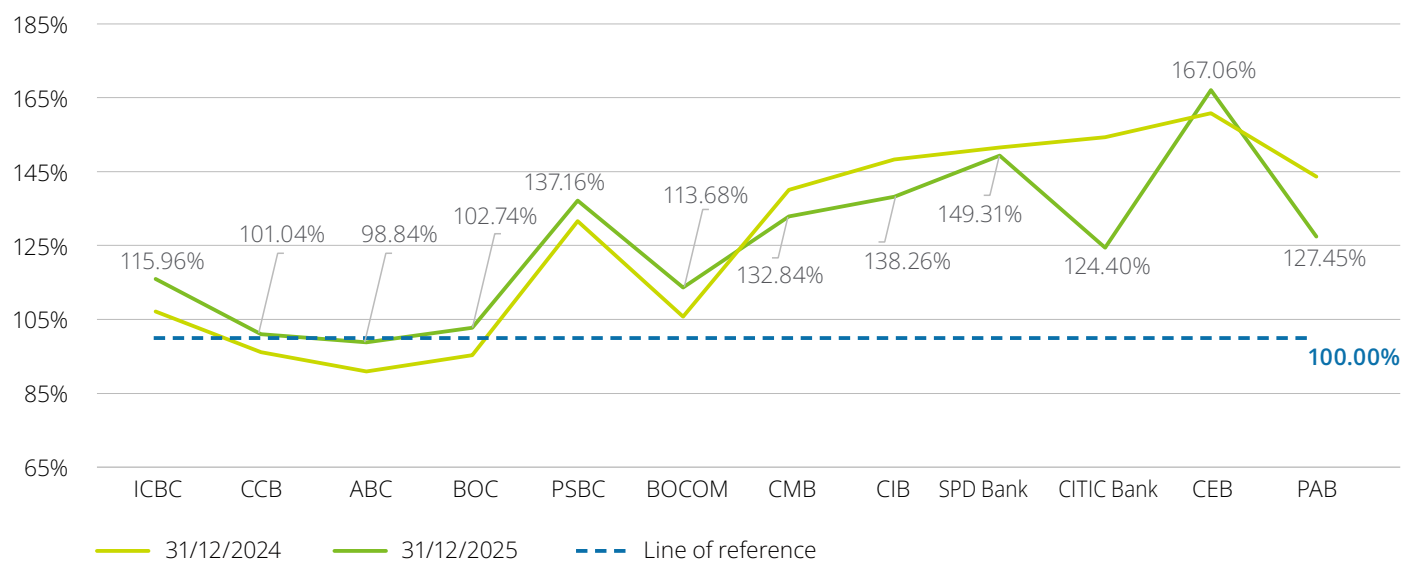


At the end of 2025, domestic banks' average overdue loan ratio was 1.50%, unchanged from the beginning of the year. Overall, SPD Bank, CITIC Bank, PAB, CIB, and CMB all recorded declines in both overdue loan balances and overdue loan ratios, while most other domestic banks saw increases in both.

Figure 24: Overdue Loan Ratio

At the end of 2025, the average ratio of overdue loans to non-performing loans across domestic banks was 125.73%, down by 1.40 percentage points from the beginning of the year. Meanwhile, the number of domestic banks with a ratio below 100% also declined, with only ABC recording a ratio of 98.84%. In addition, the ratio of overdue loans to non-performing loans across domestic banks continued to diverge. Most domestic banks had a higher ratio, while

CITIC Bank, PAB, and CIB recorded relatively notable declines of 29.88, 16.25, and 10.03 percentage points, respectively. CEB's ratio was the highest at 167.06%, up by 6.21 percentage points from the end of 2024, and its asset quality underwent further pressure. SPD Bank's ratio remained elevated at 149.31%, but fell by 2.2 percentage points from 2024.

Figure 25: Ratio of Overdue Loans to Non-performing loans

Took various approaches to strengthen disposing of non-performing assets and accelerated resolution of risks in key areas

Against the backdrop of China's economy displaying resilience under pressure, mounting internal and external challenges, and operational strains on the real economy, risks in key areas such as the real estate sector continued to be exposed, and overall credit risk in the banking sector remained under pressure. Against this background, effectively resolving financial risks and alleviating the burden on the sector became a top priority in financial work. In 2025, the NFRA continuously strengthened regulatory supervision and guidance, taking various approaches to promote commercial banks to strengthen disposing of non-performing assets. Besides, the NFRA coordinated with relevant departments to advance the delivery of pre-sold housing and the mitigation of existing risks, thereby easing credit default pressure at the source. The scale of non-performing asset disposals during the "14th Five-Year Plan" period grew by over 40% compared with the "13th Five-Year Plan" period. Banks continued to improve credit risk management, adopting various methods such as recovery, writing-off, debt offsetting, securitization, transfer, restructuring, and debt-to-equity swap to reduce non-performing loans, maintaining the sector's average non-performing ratio at a stable and controllable level and safeguarding the bottom line of financial security for high-quality economic development.

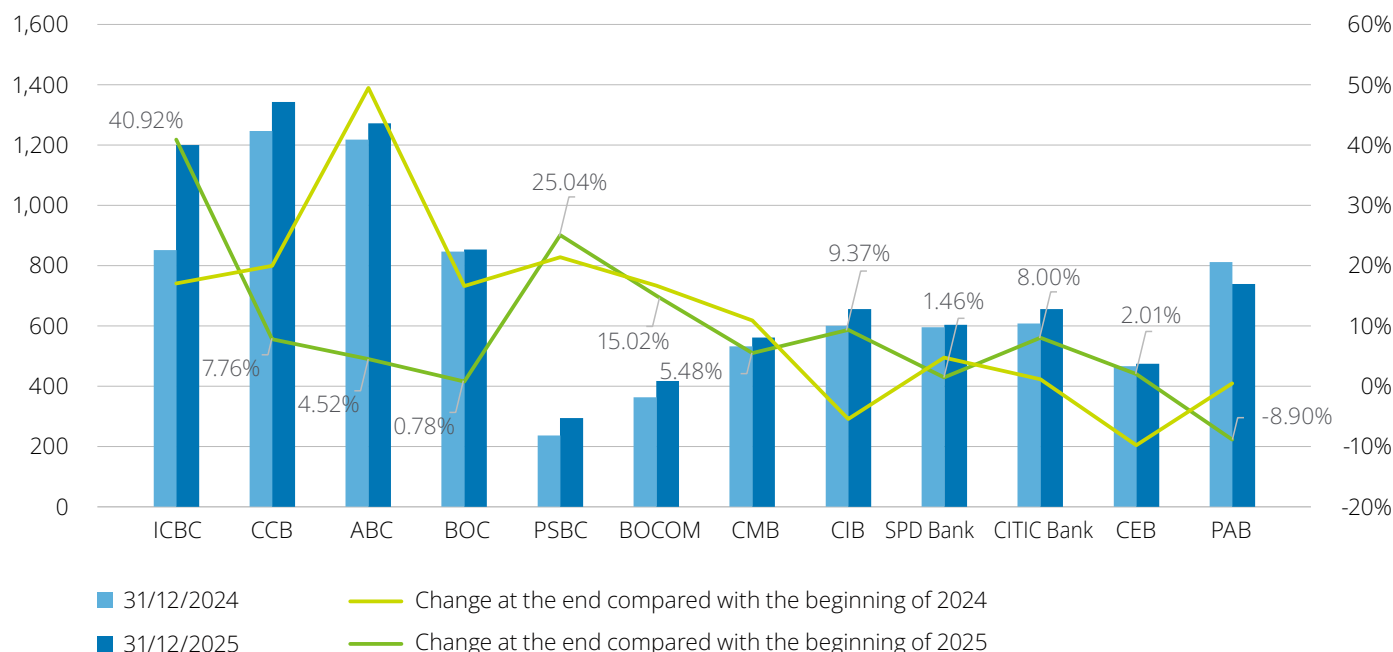
According to the *Asset-Backed Securities Development Report for 2025* released by China Central Depository & Clearing Co., Ltd. (CCDC) and publicly available market statistics, in 2025, a total of 183 NPL ABS products were issued in the inter-bank public offering market, covering six types of non-performing loans including credit cards, personal consumption loans, auto loans, individual housing mortgage loans, small and micro-enterprise loans, and corporate

loans, totaling RMB82.057 billion, up by 61.35% year-on-year, accounting for 28.15% of total credit ABS issuance. In 2025, the total principal and interest of non-performing loans disposed of through asset securitization amounted to RMB519.112 billion, an increase of 62.80% over 2024. Major state-owned banks were main issuers of NPL ABS products in the inter-bank public offering market. The top three issuers of NPL ABS products in 2025 were CCB, BOC, and ICBC, totaling RMB32.758 billion, accounting for 39.92% of the total. The NPL ABS products issued became increasingly diversified in 2025. Notably, CCB and CIB were named "Outstanding Institution of the Year" at the 11th China Asset Securitization Forum, and their respective Jianxin series and Xingrui series of NPL ABS were selected among the annual top ten projects in the credit asset securitization inter-bank market.

In 2025, domestic banks' written-off and transferred-out loans totaled RMB906.7 billion, up by RMB70.0 billion or 8.36% year-on-year. Specifically, except for PAB, whose amount of written-off and transferred-out loans decreased, all other domestic banks saw an increase in written-off and transferred-out loans. The six major state-owned banks showed relatively significant internal divergence. CCB and ABC had maintained relatively strong momentum in resolving risks through write-offs over the past two years. ICBC's and PSBC's written-off and transferred-out loans increased by RMB34.9 billion or 40.92% and RMB5.9 billion or 25.04% respectively from 2024. Among joint-stock banks, CIB's and CITIC Bank's written-off and transferred-out loans increased by 9.37% and 8.00% respectively as a result of intensified write-offs and transfer-outs, achieving effective risk resolution. PAB's pace of write-offs slowed somewhat, but remained at a relatively high level.

Figure 26: Written-off and Transferred-out Loans

Unit: RMB100 million

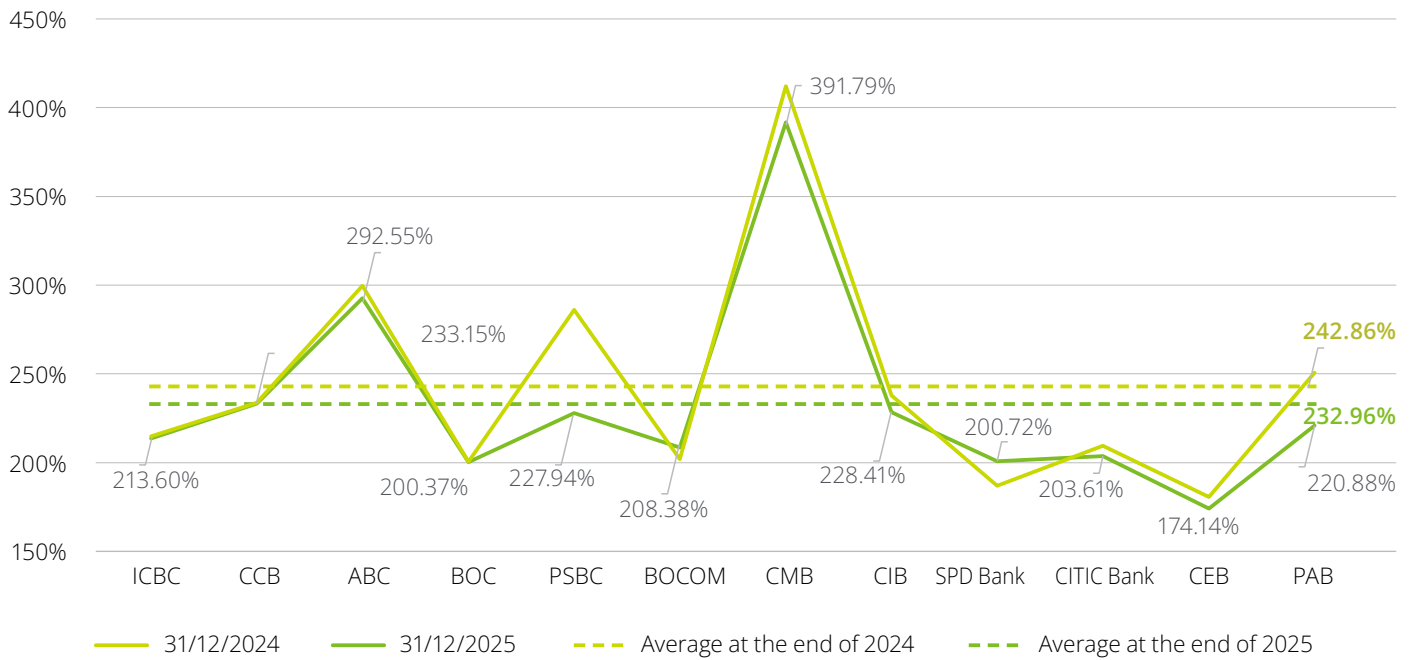


Note: CCB's statistics on written-off and transferred-out loans are the sum of "write-offs for the year" and the Stage 3 portion of "transfer out/repayments for the year". ABC's statistics on written-off and transferred-out loans are the sum of "repayment and transfer-out of non-performing loans" and "write-offs" as disclosed in its annual report.

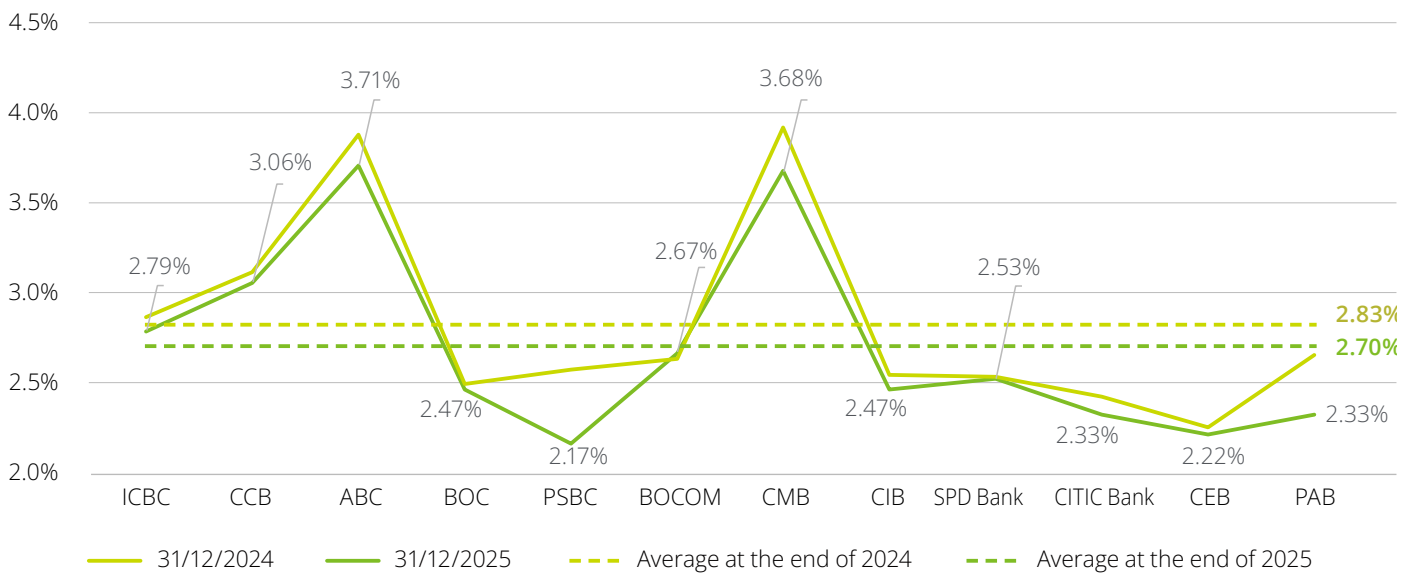
Loan provision ratio and provision coverage both declined with relatively sufficient risk compensation capacity

At the end of 2025, domestic bank's average loan provision ratio and average provision coverage were 2.70% and 232.96%, down by 0.13 and 9.90 percentage points respectively from the beginning of the year. Among them, BOCOM's loan provision ratio rose by 0.03 percentage points, whereas its provision coverage rose by 6.44 percentage points; SPD Bank's loan provision ratio dropped by 0.01 percentage points, whereas its provision coverage rose by 13.76 percentage points. Among domestic banks,

except for BOCOM and SPD Bank, the remaining domestic banks experienced declines in both their loan provision ratios and provision coverages. CMB's provision coverage (391.79%) was the highest among domestic banks despite a drop of 20.19 percentage points from the beginning of the year. In 2025, domestic banks' overall provision coverage declined slightly but remained at relatively high levels. There remain notable disparities in the provision coverages across different banks.

Figure 27: Provision Coverage

At the end of 2025, all domestic banks' loan provision ratios declined except for BOCOM. PSBC, PAB, and CMB recorded a more remarkable decline by 0.41, 0.33, and 0.24 percentage points respectively from the beginning of the year.

Figure 28: Loan Provision Ratio

Monetary easing continued, growth rates of banks' financial investment diverged significantly

In 2025, China maintained a prudent and appropriately accommodative monetary policy stance. The central bank flexibly adjusted liquidity through tools such as the Medium-term Lending Facility (MLF) and open market operations for the purpose of avoiding idle funds and excessive easing. Bond yields fluctuated upward overall for the year, with significant divergence across different varieties and maturities. Meanwhile, the Federal Reserve, having started a rate-cutting cycle since 2024 with a cumulative 100 basis points reduction, continued to cut rates in 2025, and major global economies entered a synchronized easing cycle. The accommodative external environment provided some room for domestic interest rate adjustments, but the persistent inversion of China-U.S. interest rate spreads still significantly constrained substantial domestic monetary policy easing. The central bank temporarily suspended and then resumed government bond purchases, reflecting precise control over market supply and demand and maintenance of a reasonable range for long-term interest rates. These operations enhanced market confidence in both transparency and predictability of monetary policy, and also provided framework safeguards for smooth and healthy operation of the bond market.

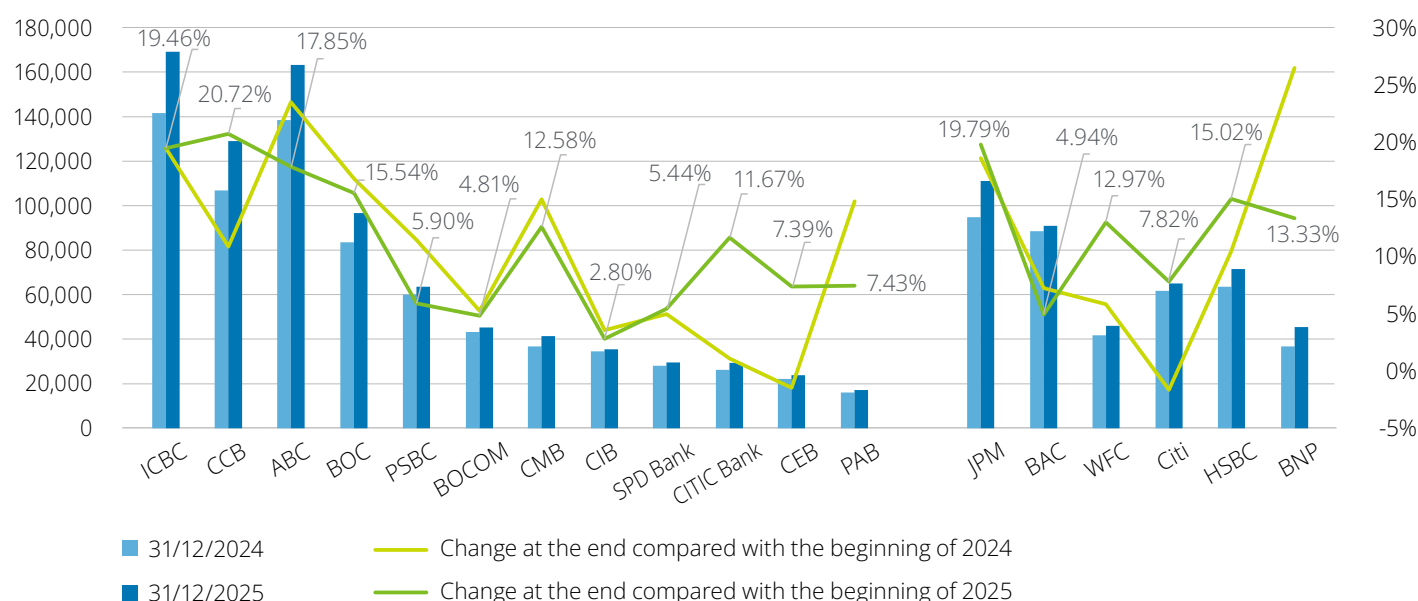
At the end of 2025, the book value of domestic banks' financial investments totaled RMB84.33 trillion, an increase of RMB10.60 trillion from the beginning of the year, with

an average growth rate of 14.38%, and growth rates of institutions varied significantly. The book value of major state-owned banks' financial investments totaled RMB66.67 trillion, an increase of RMB9.30 trillion from the beginning of the year, representing an average growth rate of 16.21%. Among them, most major state-owned banks achieved double-digit growth except for PSBC and BOCOM. ICBC's and ABC's investment scale exceeded RMB16 trillion at the end of the year. The book value of joint-stock banks' financial investments totaled RMB17.66 trillion, an increase of RMB1.30 trillion from the beginning of the year, with an average growth rate of 7.94%, lower than that of large state-owned banks. CMB's and CITIC Bank's growth rate was 12.58% and 11.67%, respectively, significantly higher than the average of other domestic joint-stock banks, maintaining strong allocation momentum.

The book value of foreign banks' financial investments totaled RMB43.00 trillion, an increase of RMB4.30 trillion or 11.11% from the beginning of the year. All foreign banks' financial investments increased. The book value of JPM's financial investments rose by RMB1.62 trillion from the beginning of the year, significantly outpacing other foreign banks. HSBC's, BNP's, and WFC's financial assets grew by 15.02%, 13.33%, and 12.97%, respectively, with steady growth momentum.

Figure 29: Financial Investment

Unit: RMB100 million



Note: Changes in the financial investments of foreign banks were calculated in the original currency.

Investment strategies varied: major state-owned banks prioritize amortized cost measurement, while joint-stock banks emphasized fair value measurement

At the end of 2025, accounting measurement methods of domestic banks' financial investments varied significantly by institution, reflecting different investment strategies and risk appetites. Major state-owned banks mainly held financial assets at the amortized cost (AC) in general, emphasizing long-term allocation and income stability. Specifically, the proportion of ICBC's, ABC's, and PSBC's financial assets at AC reached 71%, 73%, and 74%, respectively, while CCB's and BOCOM's proportions were approximately 60%. This reflected the hold-to-maturity strategy of financial assets at AC as a market "ballast stone", primarily serving the long-term allocation demand of low-volatility assets such as government bonds and policy financial bonds.

In contrast, joint-stock banks allocated a higher proportion of financial assets at fair value through profit or loss (FVTPL), reflecting active trading and the pursuit of income flexibility. The proportions of the four major state-owned banks' financial assets at FVTPL were all below 10%, while the average proportion of joint-stock banks' financial assets at FVTPL was 24%. Among them, PAB's proportion was approximately 45%, and SPD Bank's, CIB's, and CITIC Bank's

proportions exceeded 20%. Value fluctuations of such assets were directly recognized in profit or loss, resulting in a more pronounced impact on earnings volatility, highlighting varied investment strategies between major state-owned and joint-stock banks.

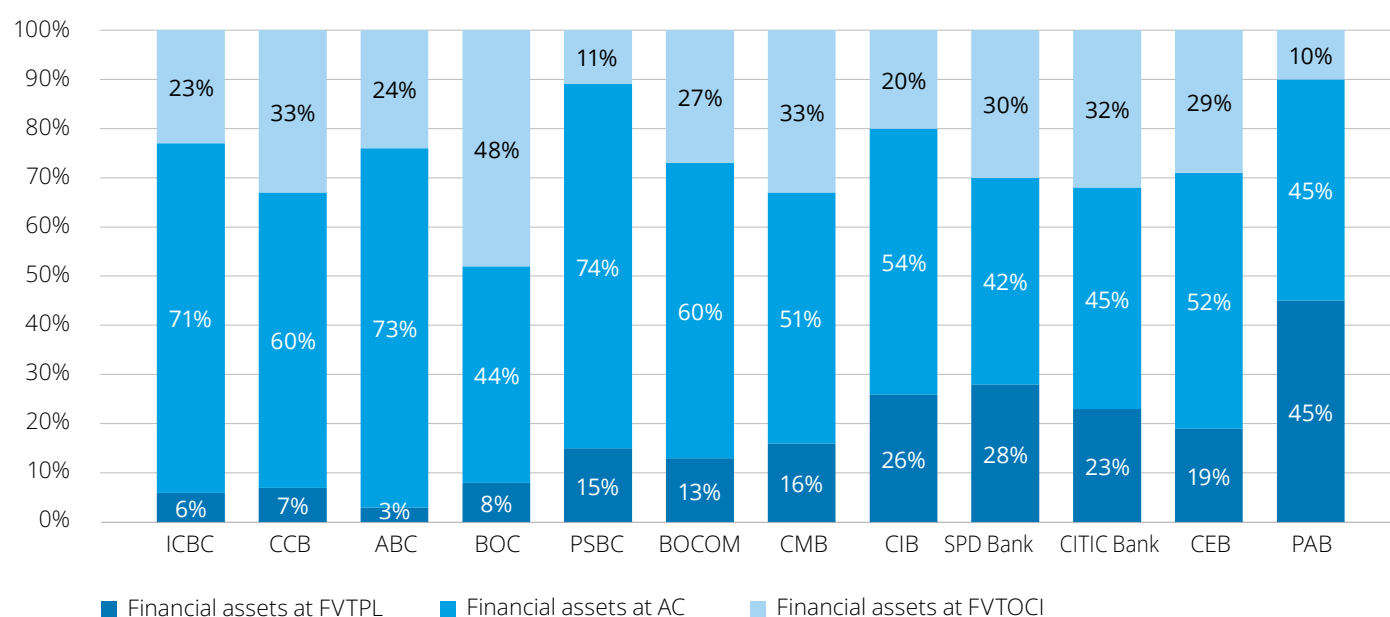
Furthermore, as a vital component of financial investments, financial assets at FVTOCI accounted for an average of approximately 28% among major state-owned banks. Among them, BOC had the highest proportion of 48%, balancing valuation fluctuations and income objectives. The average proportion of joint-stock banks' financial assets at FVTOCI was approximately 27%, with a relatively balanced structure. Specifically, CIB's and PAB's proportion was relatively low, at approximately 20% and 10%, respectively.

Overall, major state-owned banks predominantly held financial assets at AC, complemented by financial assets at FVTOCI, relying on the held-to-maturity strategy and primarily allocating to low-volatility assets such as government bonds and policy financial bonds. This highlighted their role in serving the real economy, with

stable asset structures and strong income predictability. In contrast, joint-stock banks gave equal weight to financial assets at FVTPL and FVTOCI, pursuing more proactive investment strategies to enhance income flexibility through flexible trading and diversified allocation. The divergence

in investment strategies of state-owned and joint-stock banks had a profound impact on their asset structures, risk exposures, and performance, reflecting distinct development paths shaped by capital constraints and market conditions.

Figure 30: Financial Investment Structure at the End of 2025 (by Method of Measurement)



Investment variety structure: major state-owned banks concentrated on rate bonds, while joint-stock banks pursued more diversified allocations

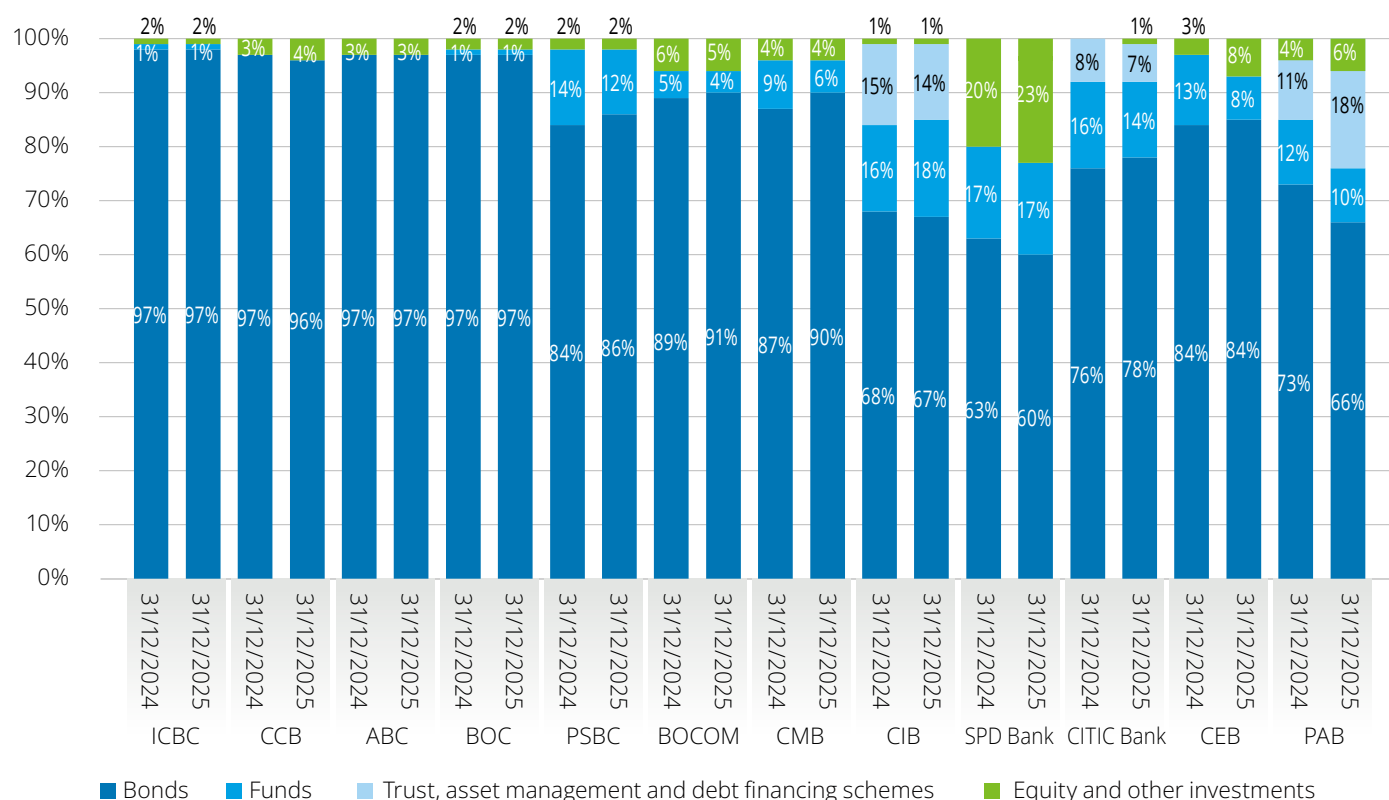
In terms of investment varieties, major state-owned banks' asset structures were highly concentrated on proprietary bond investments, accounting for more than 95% on average. Their bond holdings were predominantly composed of rate bonds. The aggregate proportions of government bonds, central bank bills, and policy financial bonds held by major state-owned banks except for PSBC were all close to or above 80% of their bond investments, reflecting the policy orientation of serving fiscal financing and supporting the real economy.

Joint-stock banks had more investment varieties, showing diversified allocation characteristics. The average ratio of joint-stock banks' fund investments was 12%, significantly higher than that of state-owned banks (2%). Among them, CIB's and SPD Bank's fund investment ratios exceeded 15%, and CITIC Bank's ratio was approximately 14%; the underlying assets were primarily standard products such as financial bonds, debenture bonds, and interbank certificates of deposit. The aggregate ratio of structured investments

such as trust schemes, asset management schemes, and debt financing schemes was 6%, mainly in PAB, CIB, and CITIC Bank; the underlying assets involved bond investments and non-standard debts, enhancing income flexibility but increasing the difficulty of credit and liquidity management.

Domestic banks' equity and other investments accounted for a relatively low proportion, approximately 4% on average, primarily including asset-backed securities, interbank wealth management products, equity investments, and debt-repaid assets. The allocation purposes were mainly liquidity management or participation in specific projects, and the investments did not constitute core assets.

Overall, major state-owned banks adhered to a "safety + stability" logic, focusing on holding rate bonds; joint-stock banks expanded income sources through funds and structured instruments, reflecting a "flexible + proactive" management style and striking a balance between capital constraints and income objectives.

Figure 31: Financial Investment (by Investment Varieties)

Bond market shocks combined with strengthened capital constraints, requiring banks to continuously improve their bond investment and risk management level

In 2025, bond yields trended upward amid shocks. The RMB exchange rate against the U.S. dollar showed a pattern of “steady growth and two-way fluctuations”, with enhanced exchange rate flexibility and greater capacity to absorb external shocks. Against this background, domestic banks, as the main investment entities in the bond market, continued to scale up their bond investment. At the end of 2025, domestic banks’ bond investment balance was RMB76.46 trillion, an increase of RMB10.06 trillion from the beginning of the year or 15.16% year-on-year. Among them, major state-owned banks’ bond investment balance was RMB63.18 trillion, an increase of RMB9.09 trillion or 16.81% from the beginning of the year. Among them, ICBC’s, CCB’s, and ABC’s balances exceeded RMB10 trillion, with CCB’s growth rate reaching 20.51%; joint-stock banks’ bond investment balance was RMB13.28 trillion, an increase of RMB0.97 trillion or 7.92% from the beginning of the year, lower than that of major state-owned banks. PAB’s, CIB’s, and SPD Bank’s growth slowed.

Overall, commercial banks’ bond allocation is driven by multiple factors, including the pace of credit supply, changes in market interest rates, tax effects (such as tax-exempt interest income from government bonds and local government bonds), and policy impacts. Amid the complex environment of heightened interest rate volatility, stricter capital regulation, and rising external uncertainties, commercial banks face higher requirements for proactive bond investment management capabilities.

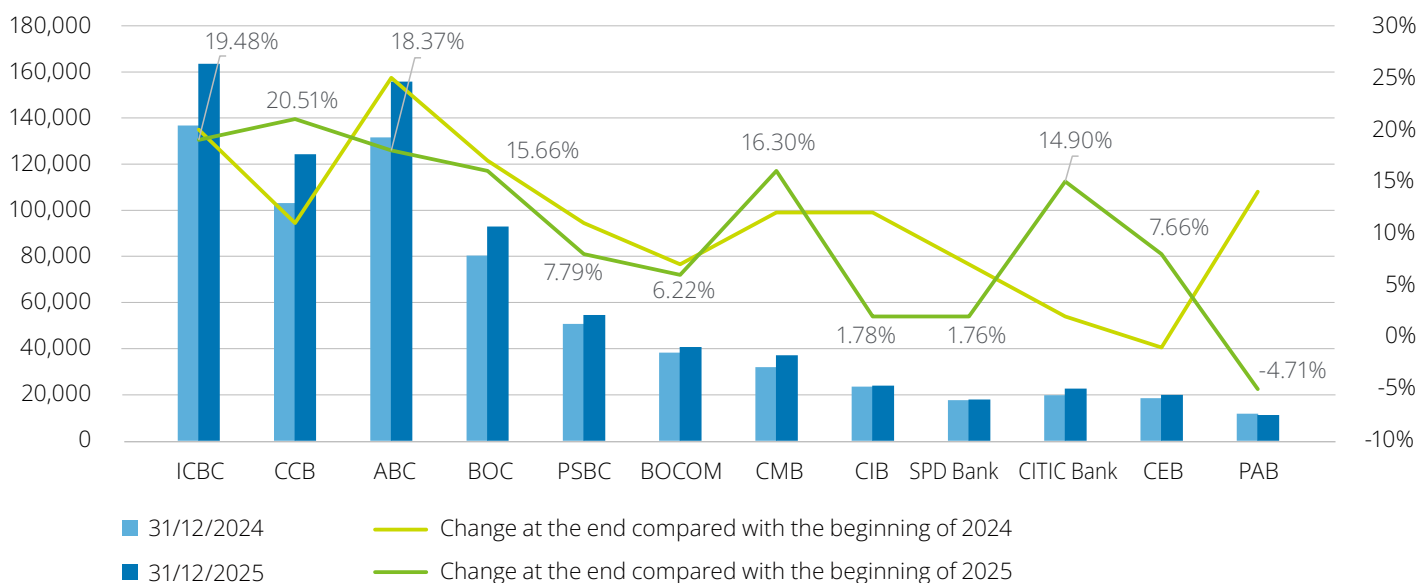
In 2025, with the full implementation of the *Administrative Measures for the Capital of Commercial Banks* (hereinafter referred to as the “Measures”), banks’ recognition of risk weights for various bonds became more refined, and capital constraints were significantly strengthened, driving the shift in asset allocation from “scale-oriented” to “capital efficiency-oriented” approaches. Meanwhile, the central bank repeatedly emphasized “maintaining the stable operation of the bond market” and warned

that some financial institutions had hidden risks such as “excessively long duration and concentrated trading”, requiring strengthened management of interest rate risk and liquidity risk. Against this background, banks need to strengthen comprehensive assessment of credit risk, market

risk, and capital efficiency, accurately select investment targets, balance safety, profitability, and capital conservation objectives, and enhance proactive management capabilities in a complex market environment.

Figure 32: Bond Investment

Unit: RMB100 million



Allocation to rate bonds by domestic banks remained proportionately large and showed structural divergence, calling for improved capital efficiency and duration management

Currently, the refinement of capital regulation is profoundly reshaping banks' bond investment behavior. Taking publicly-offered funds as an example, their risk weights were raised from 100% to 125%-150%, directly pushing up capital occupation, prompting some banks to actively reduce related holdings and instead increase holdings of rate bonds such as government bonds and policy financial bonds, which carry a risk weight of 0% or 20%. This adjustment not only reflects a rebalancing of capital efficiency, but also further pushes up the proportion of rate bonds in banks' financial investments.

At the end of 2025, domestic banks' bond investments were still dominated by rate bonds, with an overall prudent allocation style. Rate bonds include government bonds, central bank bills, and policy bank bonds, altogether accounting for approximately 81% of the total bond

investment, though there were significant inter-institutional differences. Proportions of the four major state-owned banks' rate bond all exceeded 80%, with ABC's proportion close to 90%, reflecting its functional role of serving fiscal financing and supporting the real economy; PSBC's, CEB's, and CIB's proportion was relatively lower at 50%, 50%, and 60%, respectively; other domestic banks' proportions generally ranged between 70% and 85%.

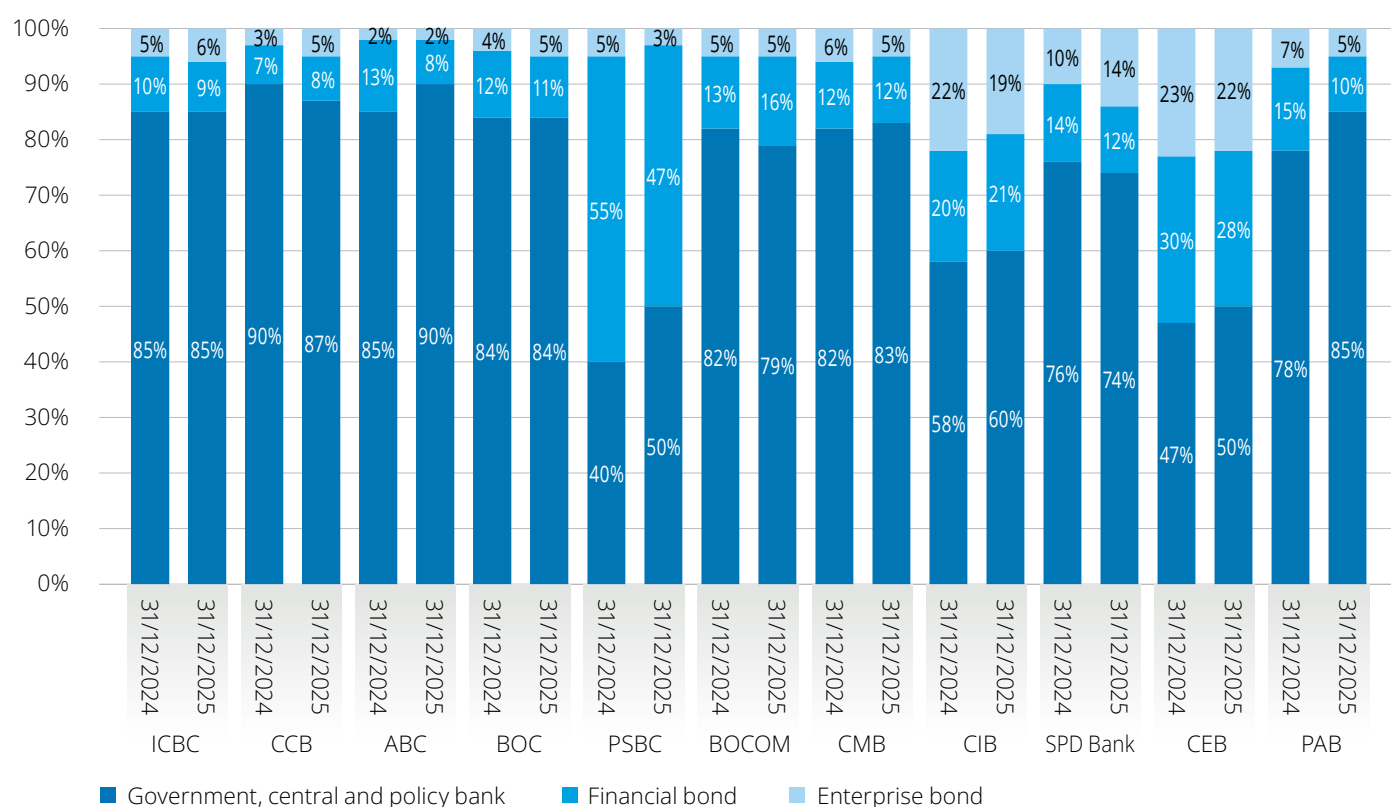
From a sector-wide perspective, debenture bonds overall accounted for a relatively low proportion, with significant inter-institutional differences as well. Some joint-stock banks, driven by business models and income objectives, had an aggregate proportion of financial bonds and enterprise bonds reaching over 40%, requiring attention to their capital occupation and valuation fluctuation

impacts. PSBC's, CEB's, and CIB's financial bond investments accounted for approximately 47%, 28%, and 21%, respectively, much higher than that of other domestic banks; except for CEB, CIB, and SPD Bank, domestic banks' enterprise bonds all accounted for less than 10%, keeping overall credit risk exposure controllable.

Meanwhile, the continued dissolution of local government debts, while alleviating credit risks, also imposed constraints on banks' liquidity indicators, limiting the room for new bond allocation. Nevertheless, under the central bank's policies

centering on maintaining appropriately accommodative conditions, banks' willingness to allocate to rate bonds remained resilient. Going forward, commercial banks need to enhance proactive management capabilities at the strategic level, while focusing on holding structure optimization and dynamic duration adjustments at the tactical execution level. In line with the differentiated risk weight requirements under the new capital rules, they should strengthen capital efficiency and interest rate risk management, and enhance both foresight and flexibility of allocation.

Figure 33: Proportion of Bond Investment by Issuers



Note: CITIC Bank didn't separately disclose its bond investments by different issuers.

Bond market yields fluctuated on an upward trend, exerting pressure on the valuation of banks' financial assets, with floating losses rising significantly

In 2025, global monetary policies continued to diverge, with major economies successively entering interest rate cut cycles, albeit at varying paces. Bond market yields generally trended upward amid fluctuations. As a result, domestic banks' financial assets measured at FVTOCI generally faced downward valuation pressure. Unrealized losses included in other comprehensive income for the year totaled RMB167.6

billion, shifting from floating gains to floating losses compared with the previous year, representing a change of RMB552.8 billion; domestic banks all recorded floating losses to varying degrees during the year.

Meanwhile, although the fair values of financial assets measured at AC were not directly reflected in the financial

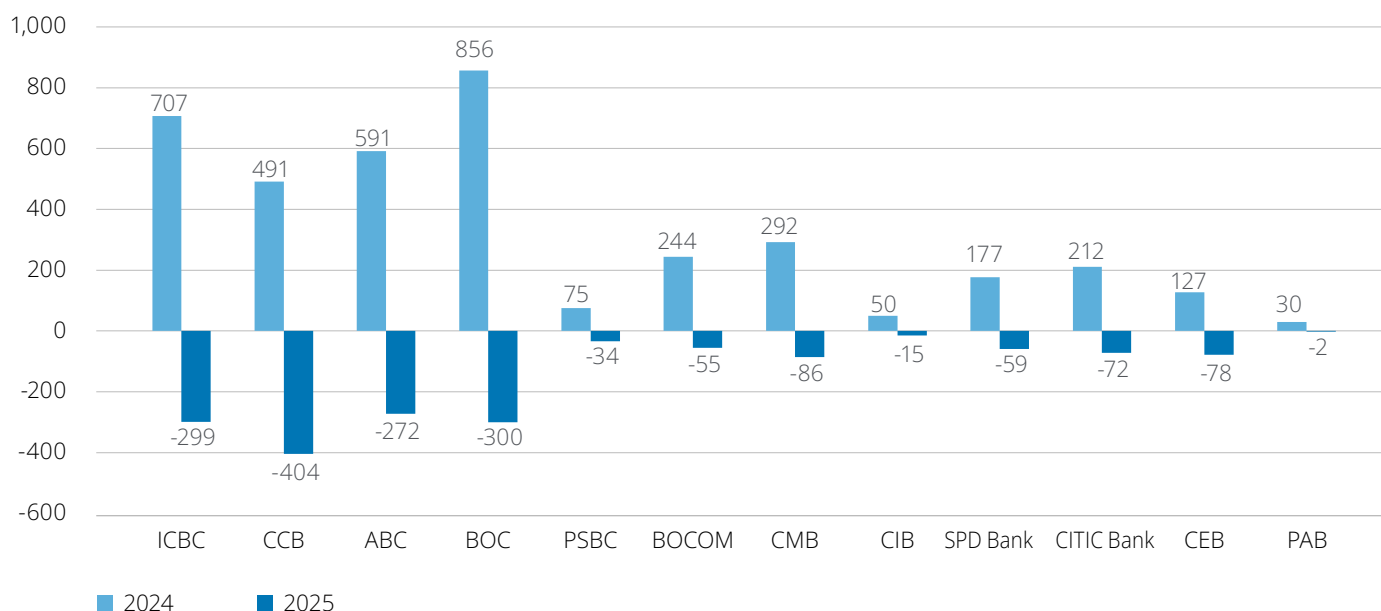
statements, they also declined significantly compared with the previous year. The total unrealized losses on the related assets amounted to RMB1,036.4 billion, likewise shifting from floating gains to floating losses compared with the previous year, representing a change of RMB2,867.1 billion. Fluctuations in the valuation of such type of assets were generally quite significant across domestic banks.

Looking ahead to 2026, the macroeconomy is expected to continue its moderate recovery, while the bond market

will still face multiple disturbances. The central bank will continue to implement a prudent yet accommodative monetary policy. However, geopolitical conflicts drive up oil prices, bringing imported inflationary pressures, which, coupled with external interest rate differentials, limit the room for further significant easing. In such an environment, long-end interest rates are likely to remain elevated with fluctuations, and the valuation pressure on banks' financial assets is unlikely to ease significantly in a short term, and floating losses are likely to remain at a high level.

Figure 34: Changes in Fair Value of Financial Assets Measured at FVTOCI

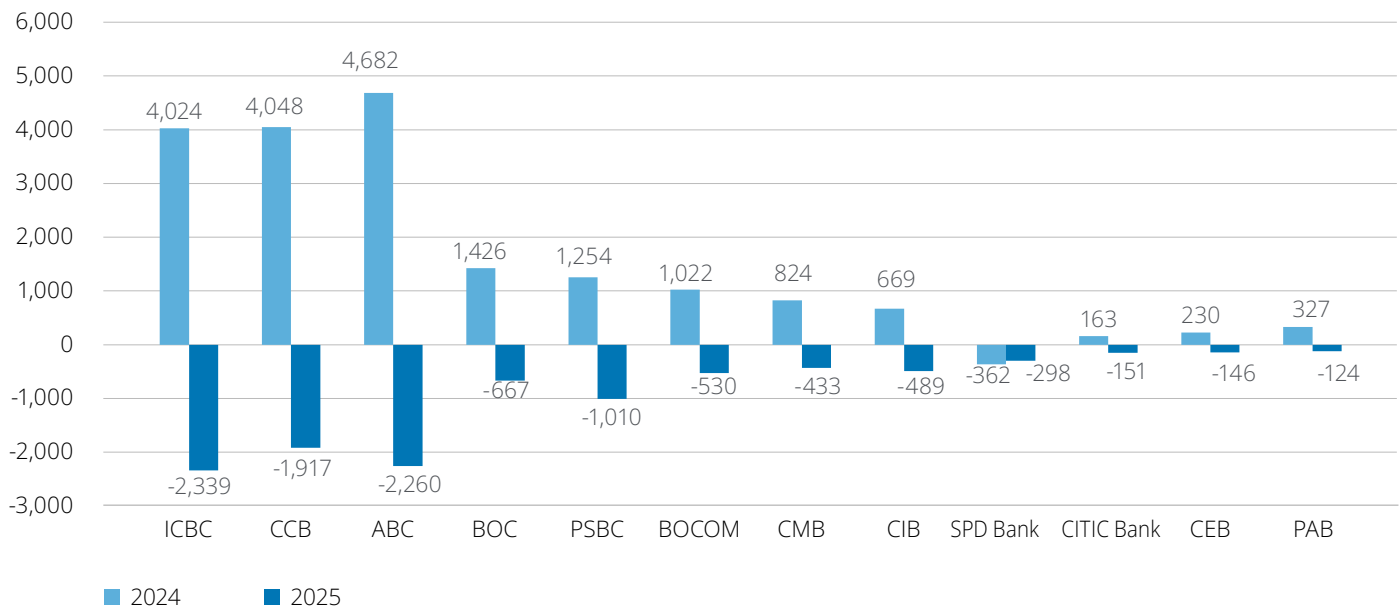
Unit: RMB100 million



Note: It is the current-year pre-tax amount included in other comprehensive income (including loans and financial investments measured at FVTOCI).

Figure 35: Changes in Fair Value of Financial Assets Measured at AC

Unit: RMB100 million



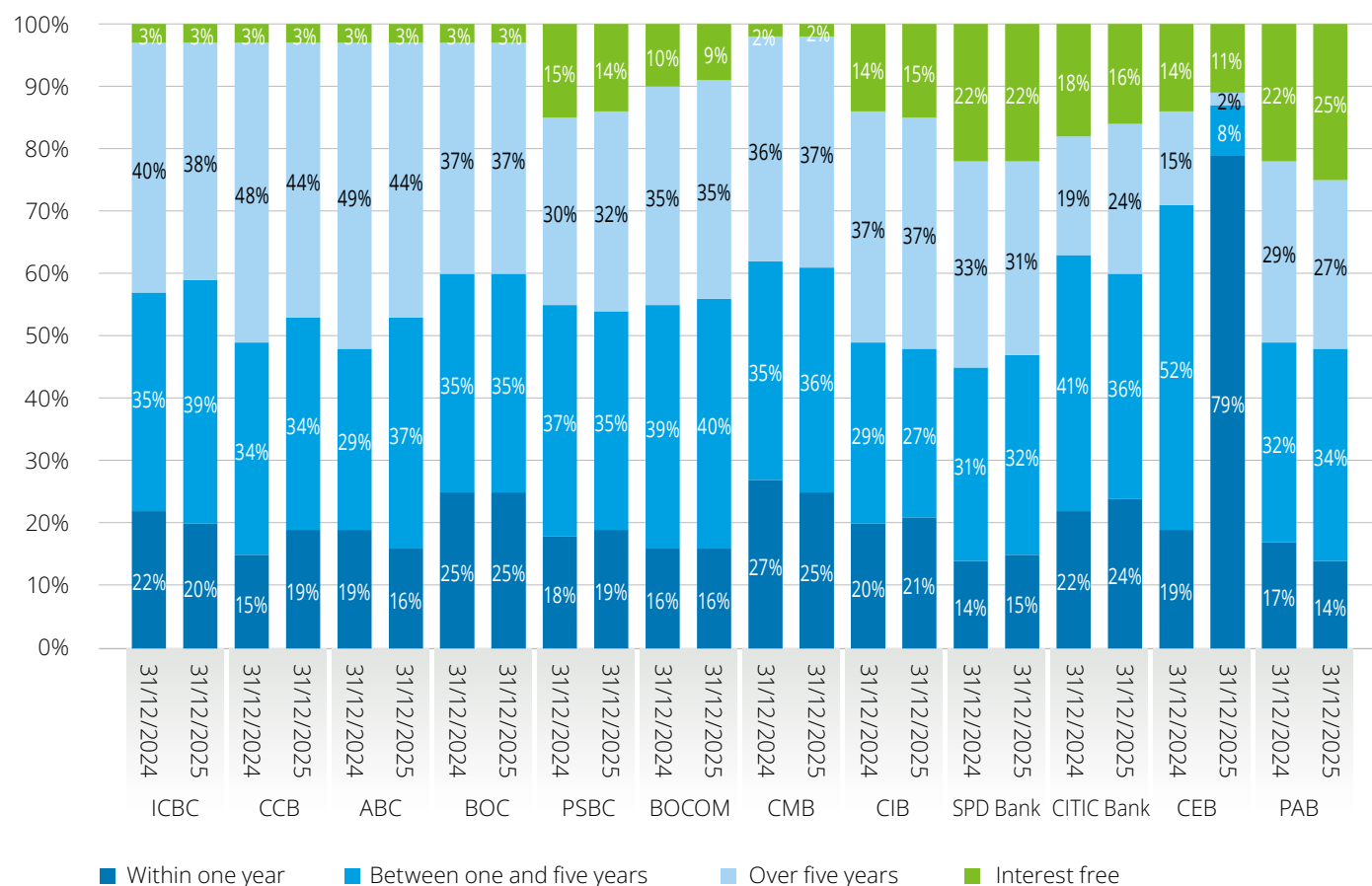
Note: It is based on the annual change in the difference between the fair value and book value of financial assets measured at AC.

Banks' long-term investments accounted for a relatively high proportion, requiring enhanced active duration management

At the end of 2025, domestic banks' financial investments with interest rate risk periods within one year, one-to-five years, and over five years accounted for 21%, 35%, and 37% respectively, with the distribution remaining largely unchanged compared with the end of the previous year. Among them, long-term investments (over five years) accounted for the highest proportion, at nearly 40%, and were predominantly financial assets measured at AC, reflecting that asset allocation continued to favor strategies aimed at locking in long-term returns. Regarding rate repricing investments within one year, the financial investment balances accounted for 25% or above at CEB, BOC and CMB, while at CITIC Bank, CIB, and ICBC, the balances exceeded 20% each. For rate repricing investments between one and five years, BOCOM's financial investment balance accounted for 40%, ranking among the highest; CEB's and CIB's balances accounted for less than 30%, and other domestic banks' balances accounted for 30% to 40%, indicating a relatively balanced allocation. For rate repricing

investments over five years, CCB's and ABC's financial investment balances accounted for more than 40%. Except for CEB, CITIC Bank and PAB, which accounted for less than 30%, the rest of the banks accounted for more than 30%, collectively exhibiting the characteristics of "ballast-style" long-term positions.

The future benchmark interest rate will face multiple internal and external disruptive factors, including inflationary pressures triggered by geopolitical conflicts, diverging global monetary policies and frequent adjustments to market expectations, all of which are leading to heightened interest rate volatility. In such an environment, banks must remain highly vigilant regarding the transmission effects of interest rate risk. By dynamically adjusting the duration of their asset portfolios, banks can enhance their adaptability to interest rate cycles and mitigate the impact of market interest rate fluctuations on bond yields.

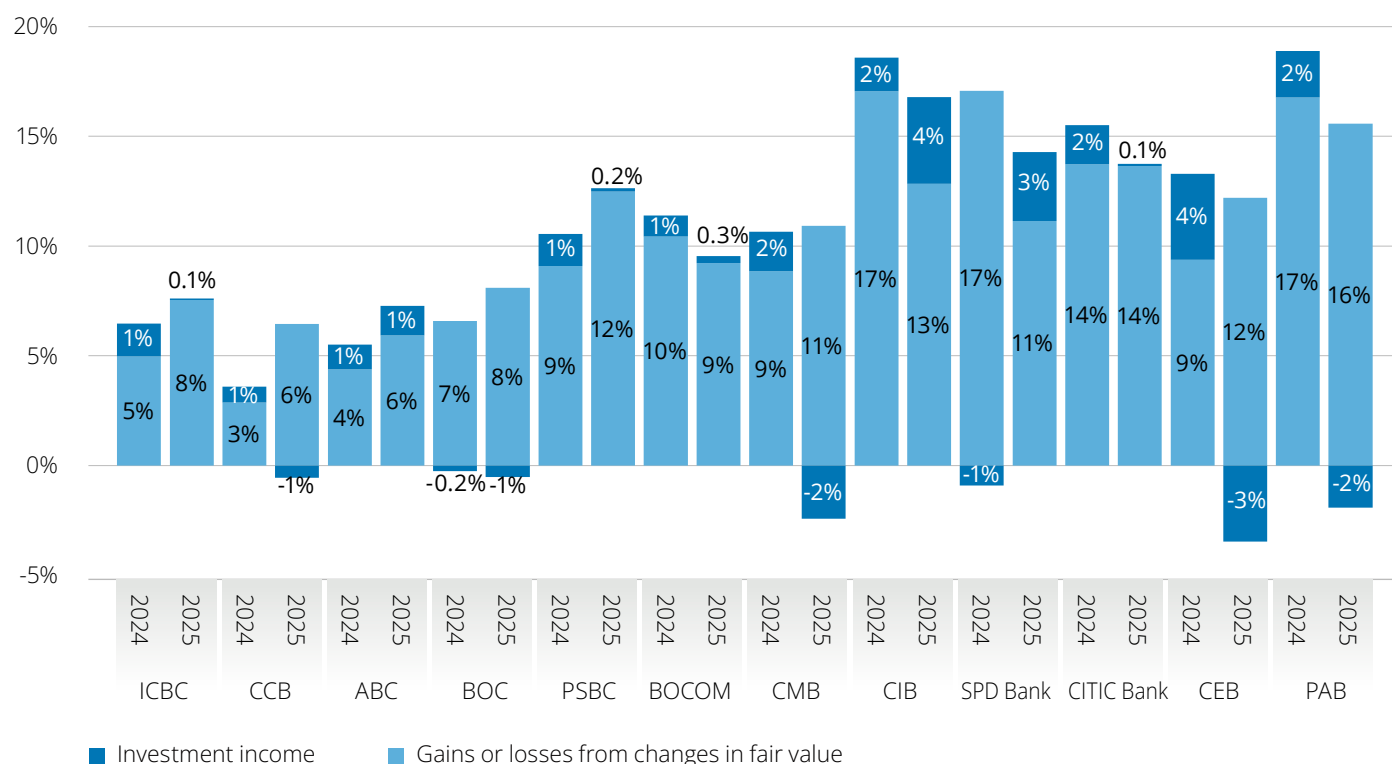
Figure 36: Interest Rate Risk of Financial Investments

Note: It is the total exposure to interest rate risk of: 1) financial assets measured at FVTPL, 2) financial assets measured at AC, and 3) financial assets measured at FVTOCI.

Domestic banks' proportion of investment income and gains or losses from changes in fair value in operating income showed a divergent trend

Major state-owned banks' average proportion of investment income in operating income was 8.29%, up 1.90 percentage points from the previous year. All domestic banks' proportions showed an upward trend except for BOCOM, whose proportion declined in the year. Joint-stock banks' average proportion was 12.72%, down 1.09 percentage points from the previous year. Among them, CIB and SPD Bank recorded a drop of 4.22 and 5.92 percentage points

respectively, while the remaining joint-stock banks saw relatively small changes. Major state-owned banks' average proportion of gains or losses from changes in fair value in operating income was 0.14%, down 0.78 percentage points from the previous year, while joint-stock banks' average proportion was -0.10%, down 1.80 percentage points from the previous year.

Figure 37: Proportion of Investment Income and Gains or Losses from Changes in Fair Value in Operating Income

Management modes for domestic banks' investment portfolio presented significant differences, with investment income showing distinct structural characteristics

Major state-owned banks generally prioritized financial assets measured at AC, while joint-stock banks had a higher allocation of financial assets measured at FVTPL. In accordance with accounting standards, the interest income generated during the holding period of financial assets measured at FVTPL was included in investment income. Coupled with characteristics of relatively active trading and significant contribution from price spread gains, the proportion of investment income from financial assets measured at FVTPL of joint-stock banks was significantly higher than that of major state-owned banks.

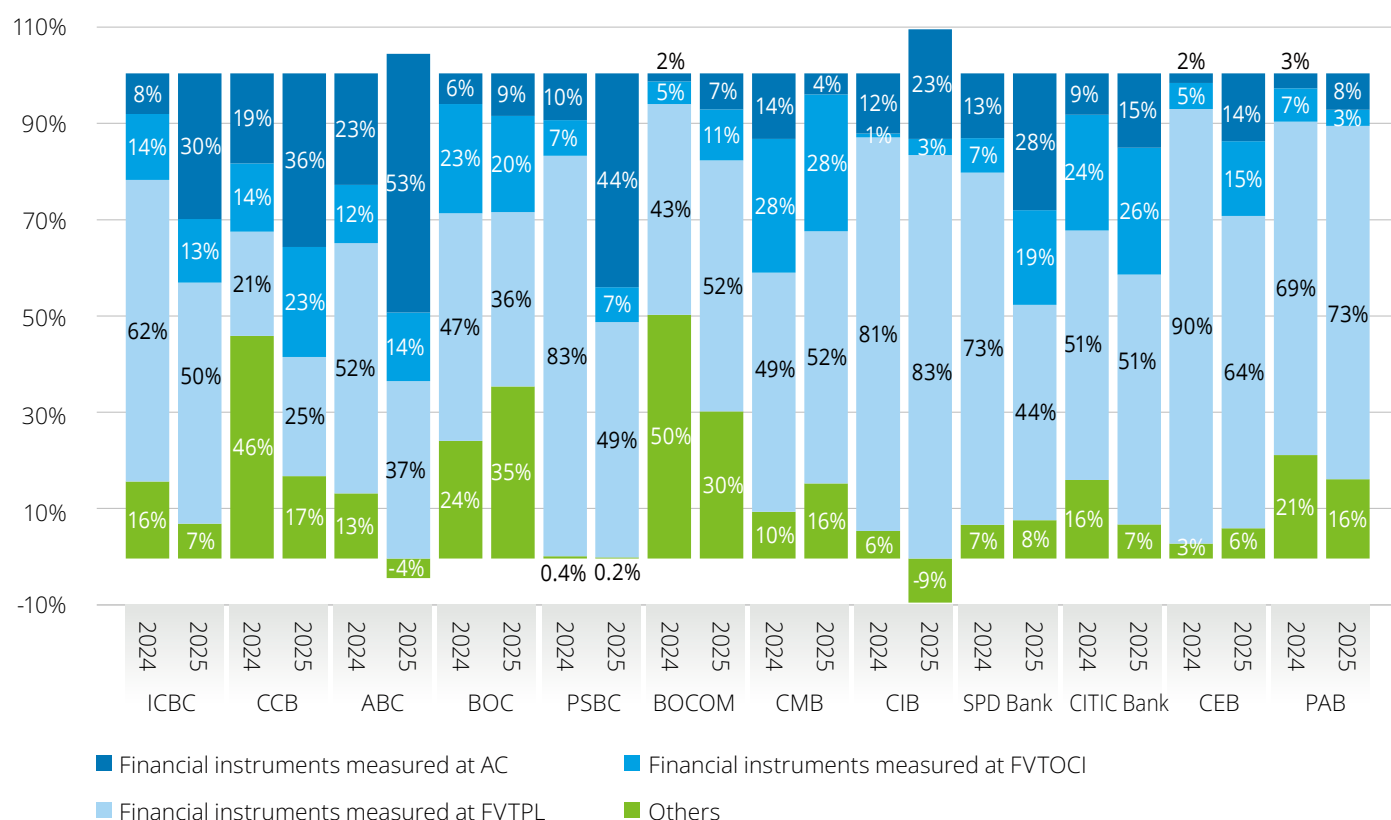
Banks' investment income from the derecognition of financial assets measured at AC was mainly gains or losses from bond trading. In 2025, CMB's investment income from such type of assets decreased compared with 2024, while all other banks recorded growth at varying rates. Among them, ICBC, CCB, ABC and PSBC saw the most remarkable growth, with investment income from the disposal of financial assets measured at AC this year increasing by RMB15.6

billion, RMB13.6 billion, RMB15.7 billion and RMB16.5 billion respectively compared with the previous year. For joint-stock banks (excluding CMB), the investment income from such type of assets grew moderately, but its proportion in total investment income showed a significant increase. This was particularly evident at CIB and SPD Bank, where investment income from the disposal of financial assets measured at AC reached RMB6.2 billion and RMB5.5 billion respectively this year, representing the highest amounts among joint-stock banks, with their proportions in total investment income increasing by 11 percentage points and 15 percentage points respectively compared with the previous year. Major state-owned banks' substantial growth of such income mainly benefited from their large base of bond positions measured at AC. In the environment of falling market interest rates, the valuation of relevant bonds rose. As banks disposed of a portion of their assets during liquidity management or asset composition adjustments, the previously accumulated unrealized gains were released, driving a significant year-on-year increase in investment income.

In 2025, the bond market shifted from the one-sided trend in 2024 to a volatile state, presenting an overall range-bound pattern characterized by “a ceiling on the upside and a floor on the downside”. To cope with the repeated market fluctuations, domestic banks adhered to the operation logic of “making allocations when interest rates rise, and conducting transactions when interest rates fall”. During

the period of rising interest rates, they increased their allocations, channeling more funds into bond investments aimed at obtaining stable interest income; while during the period of falling interest rates, as bond market prices rose, they sold off a portion of their assets at the appropriate time to realize trading gains, thereby boosting profits and smoothing out performance fluctuations.

Figure 38: Investment Income Composition



Note 1: Investment income from the derecognition of financial instruments measured at AC was mainly gains or losses from the disposal of bonds.

Note 2: SPD Bank's investment income or loss from held-for-trading financial instruments comprised gains or losses from held-for-trading financial assets, gains or losses from derivative financial instruments, and gains or losses from investments in precious metals measured at FVTPL.

2.3 Liabilities

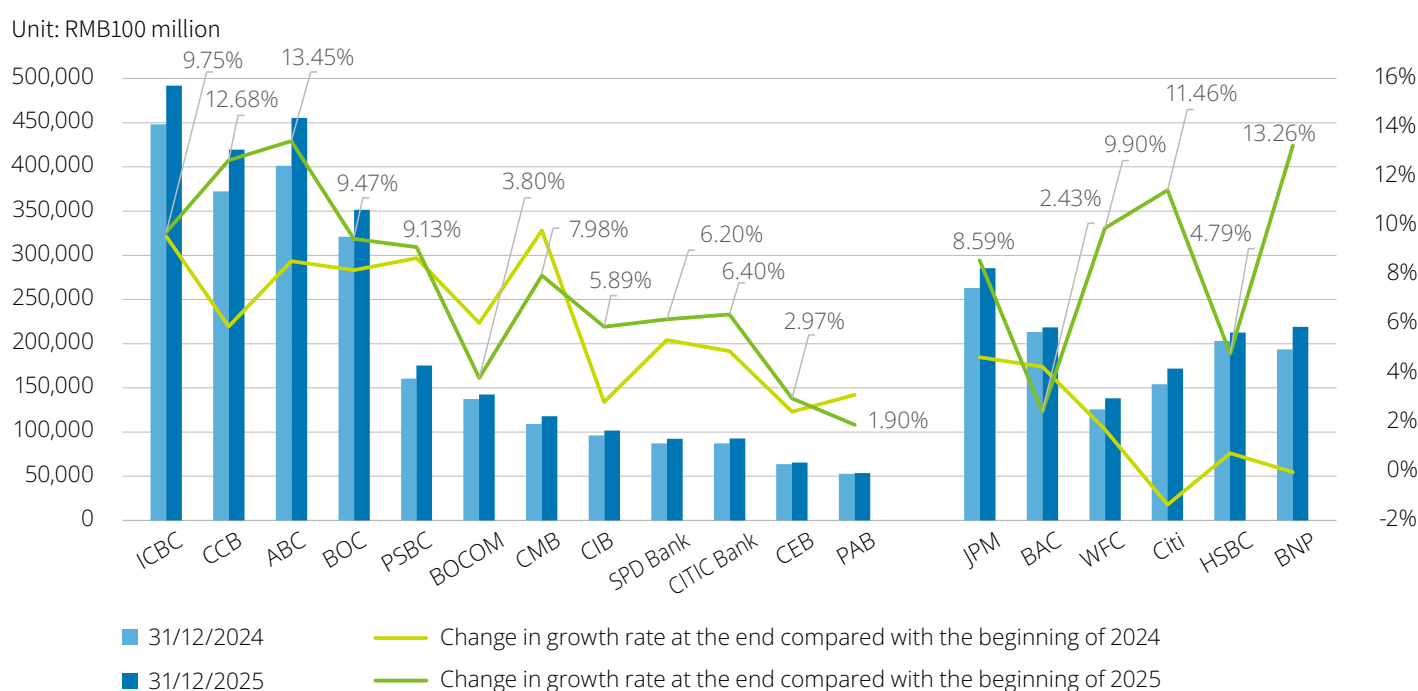
Domestic and foreign banks' total liabilities rose, with stable expansion in liability scale

At the end of December 2025, domestic banks' total liabilities reached RMB256.07 trillion, an increase of RMB22.34 trillion compared with the end of the previous year, representing a growth rate of 9.56%. Among them, except for BOCOM, all other major state-owned banks' total liabilities increased by more than 9%. ABC recorded the highest growth rate at 13.45%, followed by CCB and ICBC, with growth rates of 12.68% and 9.75% respectively. Joint-stock banks' total liabilities grew steadily overall, with CMB recording the highest growth rate at 7.98%, followed by

CITIC Bank and SPD Bank, with growth rates of 6.40% and 6.20% respectively.

At the end of December 2025, foreign banks' total liabilities reached RMB124.58 trillion, an increase of RMB9.32 trillion compared with the end of the previous year, representing a growth rate of 8.09%. Measured in local currency, BNP recorded the highest growth rate at 13.26%, followed by Citi with a growth rate of 11.46%.

Figure 1: Total Liabilities



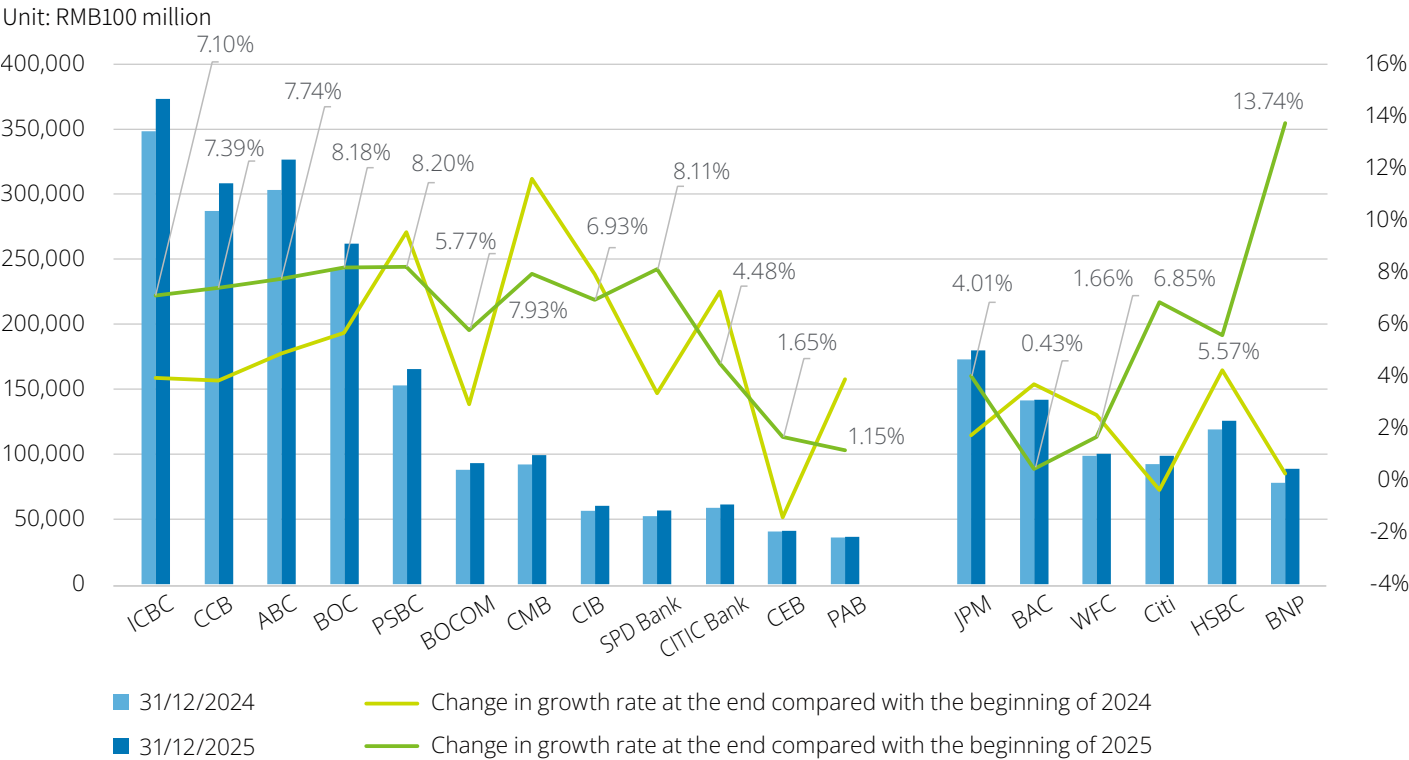
Total deposits expanded steadily, with market capital reflux and saving preference underpinning robust business performance

At the end of December 2025, domestic banks' customer deposit balance totaled RMB188.29 trillion, an increase of RMB12.60 trillion compared with the end of the previous year, representing a growth rate of 7.17%. Domestic banks delivered a sound performance in terms of deposit competition and capital absorption, driven primarily by sustained households saving tendencies and stable corporate current deposits. Except for PSBC, all major state-owned banks recorded growth rates higher than the same period of the previous year to varying degrees, with CCB recording the highest growth rate, up 3.56 percentage

points compared with the same period of the previous year. Among joint-stock banks, SPD Bank and CEB saw higher growth rates compared with the same period of the previous year, while the growth rates of the remaining four banks slowed down.

At the end of December 2025, foreign banks' customer deposit balance totaled RMB73.49 trillion, an increase of RMB3.28 trillion compared with the end of the previous year, representing a growth rate of 4.68%. Measured in local currency, BNP recorded the highest growth rate at 13.74%.

Figure 2: Customer Deposits

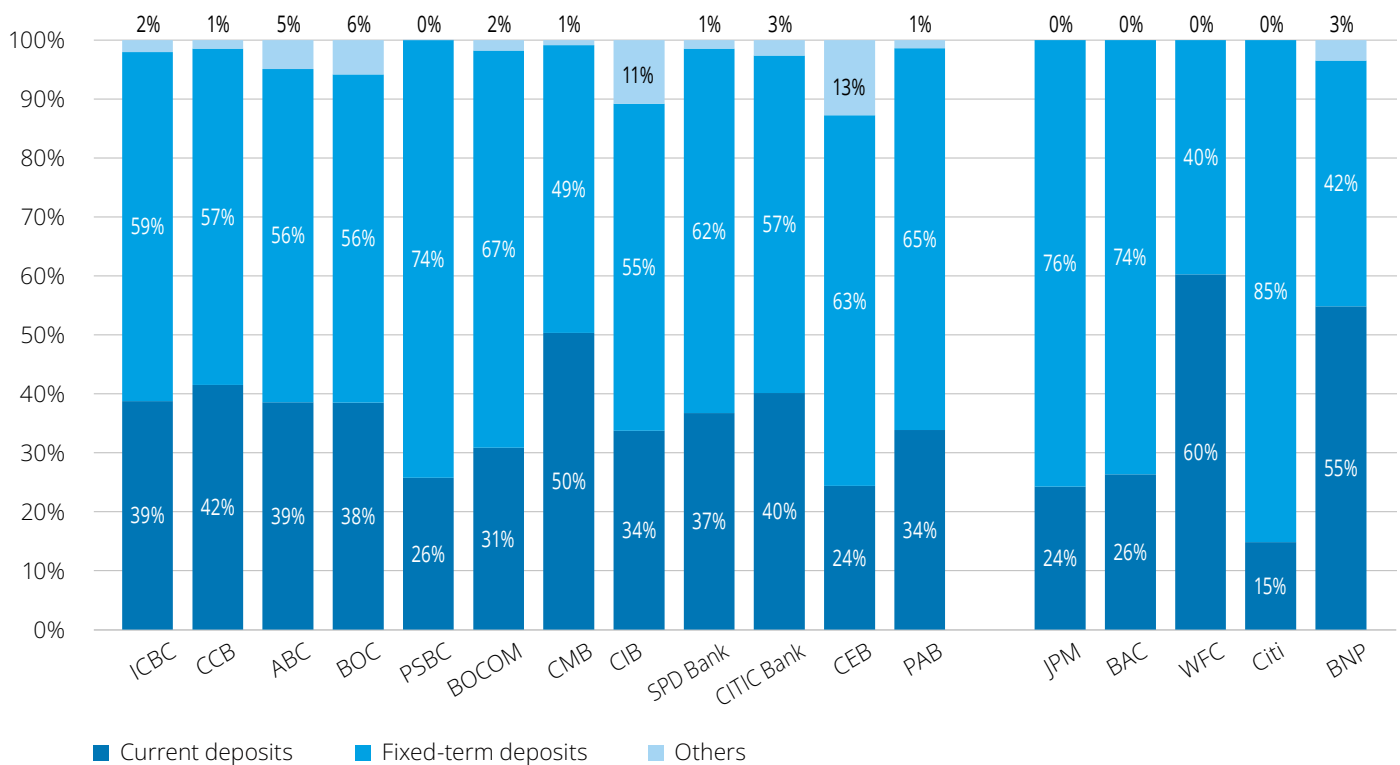


Driven by saving behaviors, deposit composition adjusted and the trend towards fixed-term deposits continued

Since 2025, driven by factors such as residents' persistently high saving propensity and corporates' relatively weak investment and operating vitality, the trend towards fixed-term deposits among domestic banks continued to deepen. At the end of December 2025, domestic banks' average proportion of current deposits was 36.08%, down 1.46 percentage points compared with the end of the previous year, while that of fixed-term deposits was 60.06%, up 1.50 percentage points compared with the end of the previous year. Among domestic banks, PSBC recorded the highest proportion of fixed-term deposits at 74.23%, up 1.35 percentage points compared with the end of the previous year; CMB recorded the highest proportion of current deposits at 50.34%, down 1.91 percentage points compared with the end of the previous year.

At the end of December 2025, foreign banks' average proportion of current deposits was 36.09%, down 1.01 percentage points compared with the previous year, while that of fixed-term deposits was 63.18%, up 0.32 percentage points compared with the end of the previous year; the average proportion of fixed-term deposits of foreign banks was slightly higher than that of domestic banks. Among foreign banks, Citi recorded the highest proportion of fixed-term deposits at 85.13%, up 1.30 percentage points compared with the end of the previous year; WFC recorded the highest proportion of current deposits at 60.27%, down 2.23 percentage points compared with the end of the previous year.

Figure 3: Deposit Composition at 31 December 2025



Note: HSBC did not disclose its deposit composition.

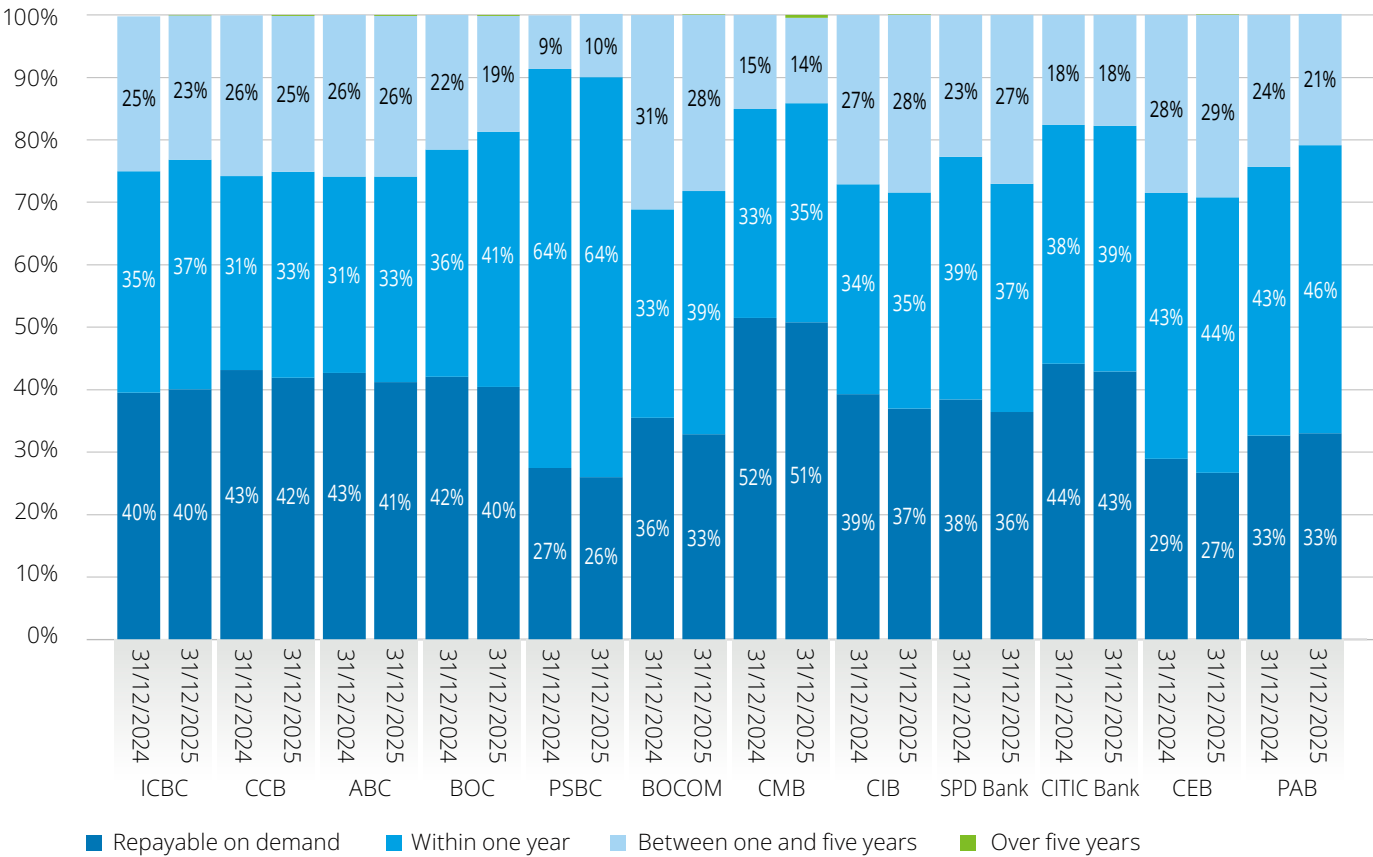
From the perspective of remaining maturity of deposits, at the end of December 2025, the average proportion of domestic banks' deposits repayable on demand was 37.45%, down 1.33 percentage points compared with the end of the previous year; the average proportion of deposits maturing

within one year was 40.18%, up 1.73 percentage points compared with the end of the previous year; the average proportion of deposits maturing between one and five years was 22.33%, down 0.37 percentage points compared with the end of the previous year; the average proportion of deposits

maturing over five years was 0.04%, basically unchanged compared with the end of the previous year. This reflected a trend towards fixed-term deposits, which influenced banks' deposit composition and, in turn, affected the interest rates paid on them. In May 2025, the central bank cut the reserve requirement ratio for financial institutions by 0.5 percentage points to release long-term liquidity. To align with policy objectives and simultaneously address cost pressures on the liability side, banks promptly launched a new round of

market-oriented interest rate adjustments. Major state-owned banks took the lead in cutting their published deposit rates, simultaneously optimizing rates for current deposits and medium-and long-term deposits; in the second half of the year, as market liquidity conditions changed and pressure from the trend towards fixed-term deposits persisted, joint-stock banks and small-and medium-sized banks also followed suit, actively optimizing their deposit composition to smooth out cost fluctuations.

Figure 4: Proportion of Deposits by Remaining Maturity



Note: The analysis for BOCOM, CMB, CIB, PAB, CEB and SPD Bank was based on undiscounted contractual cash flows.

Individual customer deposits demonstrated strong stability, and deposit customer base structure presented differentiated characteristics

From the perspective of customer types, at the end of 2025, the average proportions of the four major state-owned banks' corporate and individual customer deposits were 40.34% and 56.31%, down 1.20% and up 1.39% respectively compared with the end of the previous year. Among them, the proportions of individual customer deposits of ICBC, CCB and ABC were significantly higher than those

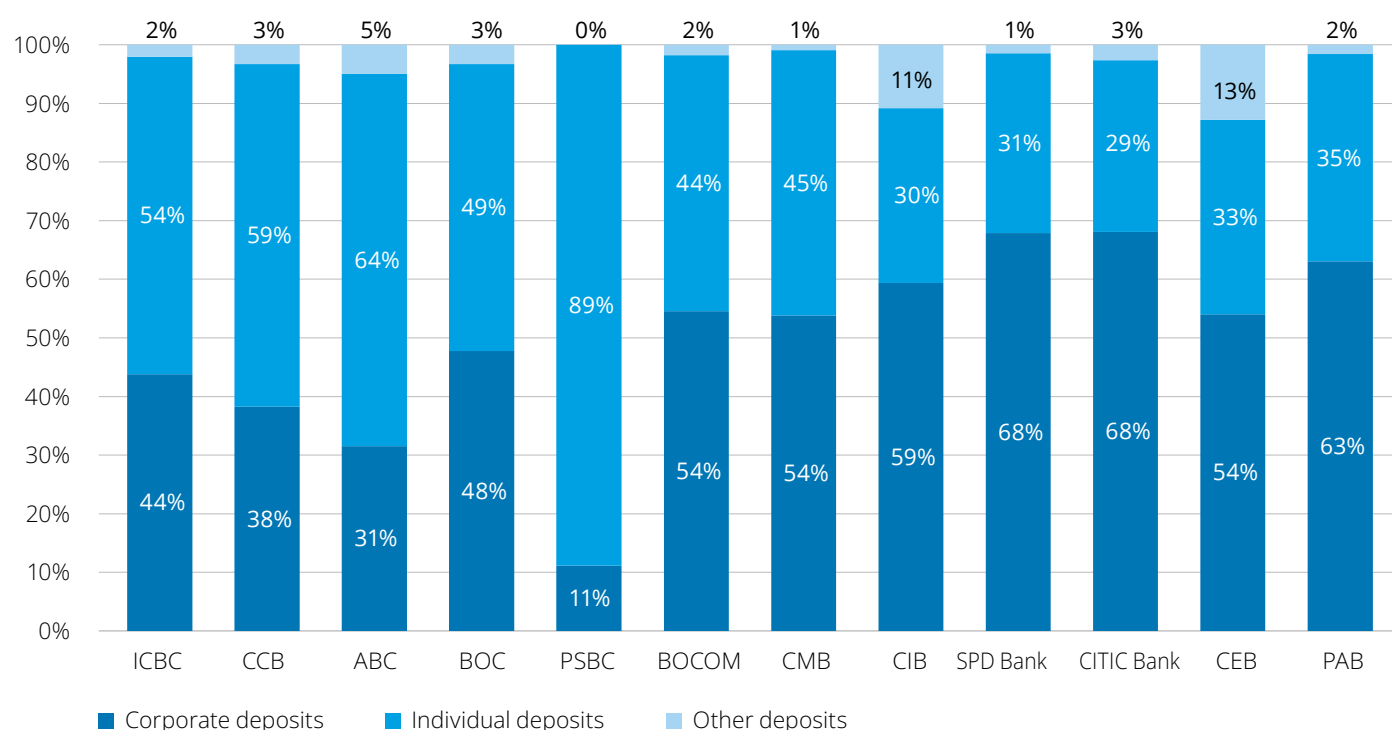
of their corporate customer deposits, reaching 54.15%, 58.54% and 63.59% respectively; BOA's proportions of corporate and individual customer deposits were relatively close, at 47.76% and 48.97% respectively. Relying on its huge network advantage, PSBC's proportion of individual customer deposits reached 88.82%. As for joint-stock banks, corporate customer deposits accounted for a relatively

large proportion, with an average proportion of 60.12%, down 0.94 percentage points compared with the end of the previous year, while the average proportion of individual customer deposits was 35.33%, up 1.05 percentage points compared with the end of the previous year.

On the whole, the changes in domestic banks' proportions of corporate and individual customer deposits were relatively stable. In 2025, although the conditions of consumer and real estate markets improved marginally, the overall recovery remained slow. Residents held cautious

expectations for income and employment, and their precautionary saving willingness stayed at a high level, leading to a continued slight upward trend in the proportion of individual customer deposits. Meanwhile, there was a divergence between enterprises' operations and cash flows: although the operation prosperity improved marginally at the end of the year, the overall investment willingness remained weak and the debt repayment pressure still existed. Funds were mostly used for turnover and debt repayment rather than expansion, resulting in a slight decline in the proportion of corporate customer deposits.

Figure 5: Proportion of Corporate and Individual Customer Deposits at the end of 2025



Debt instrument balance expanded steadily, domestic and foreign institutions' liability structure showed prominent divergence

At the end of 2025, domestic banks' balance of bonds payable and certificates of deposit issued totaled RMB18.95 trillion, an increase of RMB0.66 trillion or 3.64% compared with the end of the previous year. Among them, state-owned banks' active debts were scaled up to varying degrees compared with the end of the previous year, with ABC recording the largest growth rate at 21.85%; Among joint-stock banks, except for CEB, which recorded an increase of

7.94% compared with the end of the previous year, other banks' active debts were scaled down, with CMB recording the largest drop at 35.63%.

Domestic banks' balance of bonds payable and certificates of deposit issued totaled RMB13.51 trillion, an increase of RMB0.94 trillion or 7.45% compared with the end of the previous year. Measured in local currency, except for HSBC,

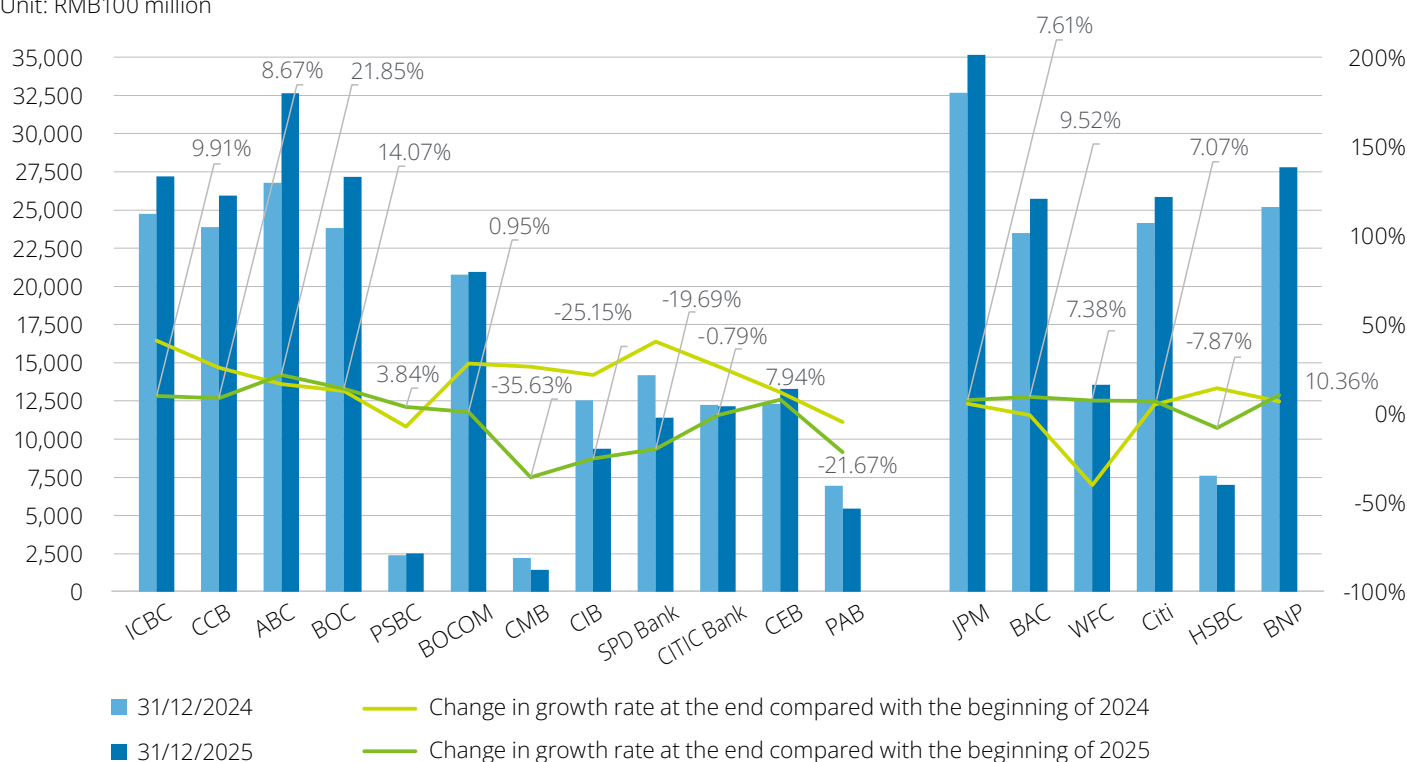
all other foreign banks' active debts were scaled up to varying degrees compared with the end of the previous year, with BNP recording the highest growth rate at 10.36%.

In 2025, China's bond market remained generally stable, with the issuance size rising steadily while the structural divergence persisted. In accordance with the annual financial market operation data released by the People's Bank of China, government bonds, local government bonds and financial bonds maintained a high supply level, driving the annual total volume to rise and net financing to continuously improve. The benchmark interest rate of bond market moved down along with the decline of risk-free rate, creating favorable conditions for banks to arrange medium- and long-term liabilities at lower costs. In terms of structure,

green financial bonds continued to expand significantly, with the annual issuance of green bonds maintaining high year-on-year growth. Policy-driven financing preference for "green + key livelihood sectors" continuously increased banking institutions' supply of thematic bonds. Furthermore, in accordance with the *Administrative Measures for the Total Loss-Absorbing Capacity of Global Systemically Important Banks*, global systemically important banks must meet regulatory requirements for Total Loss-Absorbing Capacity (TLAC) from 2025 onwards. This, combined with capital supplement needs, drove major state-owned banks to intensively push forward TLAC and issue other capital supplement bonds throughout the year, becoming a key driver in boosting banks' overall supply of debt instruments.

Figure 6: Bonds Payable and Certificates of Deposit Issued

Unit: RMB100 million





2.4 Capital position

According to the *Administrative Measures for the Capital of Commercial Banks, Additional Regulatory Provisions on Systemically Important Banks (for Trial Implementation) (D-SIBs)* and relevant regulations for global systemically important banks (G-SIBs), the capital regulation bottom line requirements for domestic banks at the end of 2025 are shown in the table below.

As of the end of 2025, domestic banks' core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio, and capital adequacy ratio met the regulatory requirements.

Table 1: Capital Regulation Bottom Line

Bank	Core Tier 1 Capital Adequacy Ratio	Tier 1 Capital Adequacy Ratio	Capital Adequacy Ratio	SIB Category
ICBC	9.00%	10.00%	12.00%	G-SIBs, Bucket 3* D-SIBs, Bucket 4
CCB	9.00%	10.00%	12.00%	G-SIBs, Bucket 2 D-SIBs, Bucket 4
ABC	9.00%	10.00%	12.00%	G-SIBs, Bucket 2 D-SIBs, Bucket 4
BOC	9.00%	10.00%	12.00%	G-SIBs, Bucket 2 D-SIBs, Bucket 4
PSBC	8.00%	9.00%	11.00%	D-SIBs, Bucket 2
BOCOM	8.50%	9.50%	11.50%	G-SIBs, Bucket 1 D-SIBs, Bucket 3
CMB	8.25%	9.25%	11.25%	D-SIBs, Bucket 3
CIB	8.25%	9.25%	11.25%	D-SIBs, Bucket 3

Bank	Core Tier 1 Capital Adequacy Ratio	Tier 1 Capital Adequacy Ratio	Capital Adequacy Ratio	SIB Category
SPD Bank	8.00%	9.00%	11.00%	D-SIBs, Bucket 2
CITIC Bank	8.00%	9.00%	11.00%	D-SIBs, Bucket 2
CEB	7.75%	8.75%	10.75%	D-SIBs, Bucket 1
PAB	7.75%	8.75%	10.75%	D-SIBs, Bucket 1

*According to the list published by the Financial Stability Board (FSB) in November 2025, ICBC has been reclassified from Bucket 2 to Bucket 3 of G-SIBs, with corresponding additional capital requirements coming into effect on 1 January 2027.

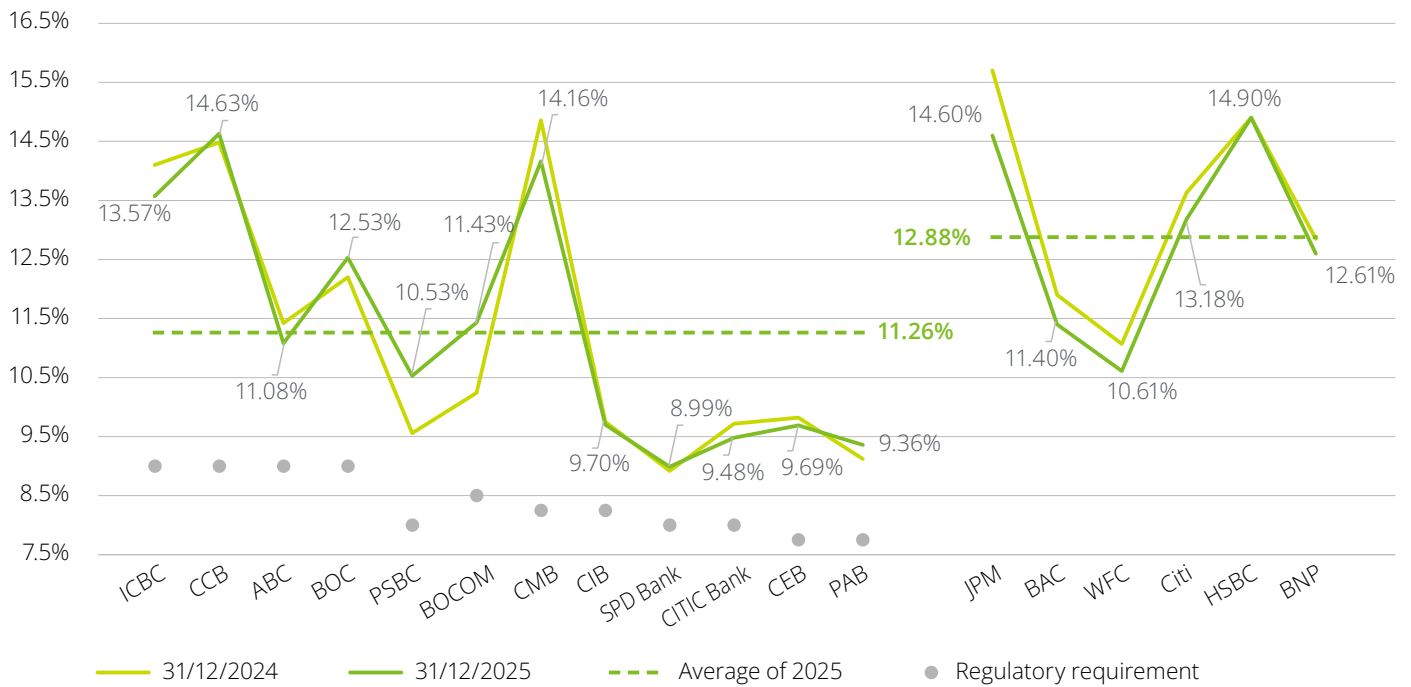
Domestic banks' capital adequacy ratio remained generally sound, while structural pressure emerged

At the end of 2025, domestic banks' average core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio, and capital adequacy ratio were 11.26%, 12.82% and 15.86% respectively, meeting regulatory requirements and maintaining sound capital levels. Among them, core tier 1 capital adequacy ratio rose slightly by 0.08 percentage points compared with the beginning of the year, while tier 1 capital adequacy ratio and capital adequacy ratio fell by 0.12 and 0.28 percentage points respectively, reflecting the pressure to maintain a dynamic balance between the pace of capital supplement and the expansion of risk-weighted assets.

Foreign banks' capital adequacy ratios declined overall, with core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio, and capital adequacy ratio reaching 12.88%, 14.31% and 16.58% respectively, down 0.46, 0.69 and 0.41 percentage points compared with the beginning of the year, indicating an overall narrowed capital buffer space.

Domestic banks' core tier 1 capital adequacy ratios as a whole exhibited a pattern of "mixed rises and falls with structural divergence". Among them, BOCOM and PSBC saw relatively remarkable rises, up 1.19 and 0.97 percentage points respectively compared with the beginning of the year; whereas ICBC's and ABC's core tier 1 capital adequacy ratios fell by 0.53 and 0.34 percentage points respectively. Joint-stock banks faced pressure overall, with CMB and CITIC Bank recording declines of 0.70 and 0.24 percentage points respectively.

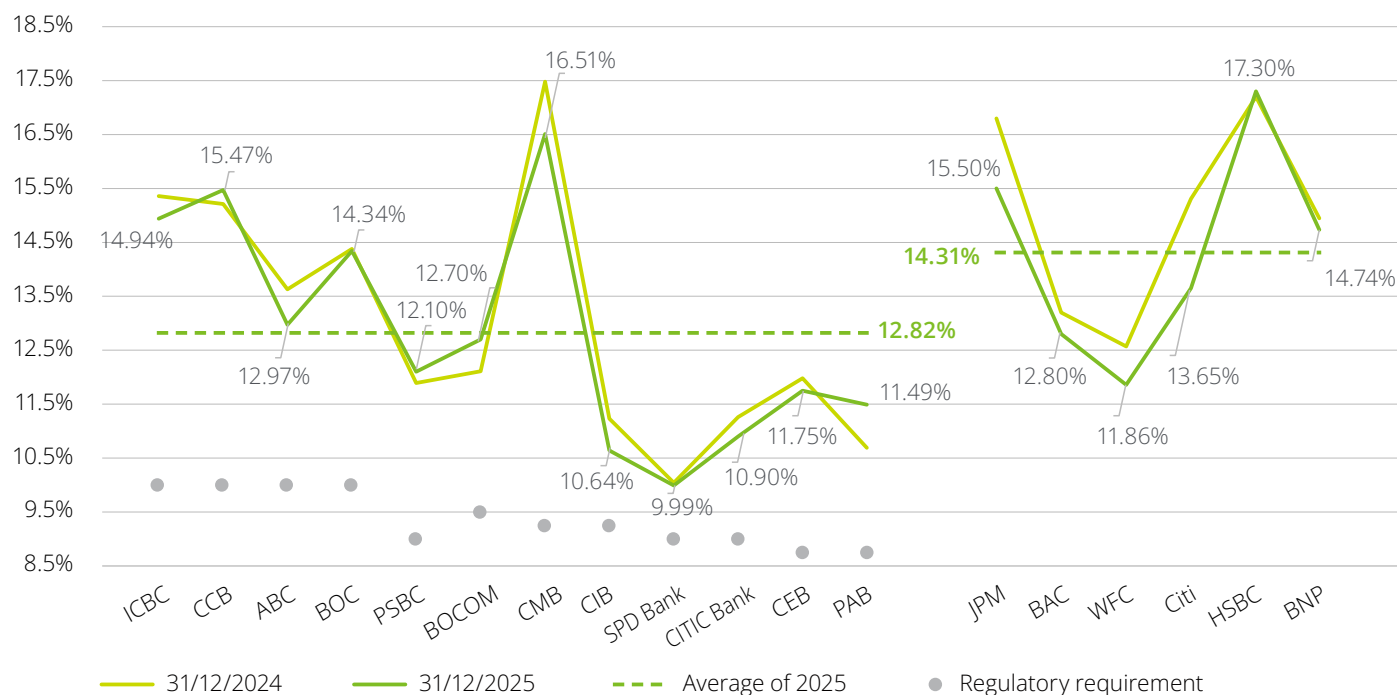
Among foreign banks, except for HSBC, which saw unchanged core tier 1 capital adequacy ratio compared with the beginning of the year, the remaining foreign banks saw declines to varying degrees. Among them, JPM saw a relatively significant decline, falling from 15.70% to 14.60%; BAC, WFC, Citi and BNP saw declines of 0.50, 0.46, 0.45 and 0.26 percentage points respectively.

Figure 1: Core Tier 1 Capital Adequacy Ratio

Domestic and foreign banks' tier 1 capital adequacy ratios declined generally. Among major state-owned banks, ICBC, ABC and BOC saw declines of 0.42, 0.66 and 0.04 percentage points respectively compared with the beginning of the year, while BOCOM, CCB and the PSBC saw rises of 0.59, 0.26 and 0.21 percentage points respectively. Among joint-stock banks, only PAB saw a rise of 0.80 percentage points, while the rest of banks recorded declines; CMB recorded a decline of 0.97 percentage points to 16.51%, but its tier 1 capital adequacy ratio remained the highest among domestic banks.

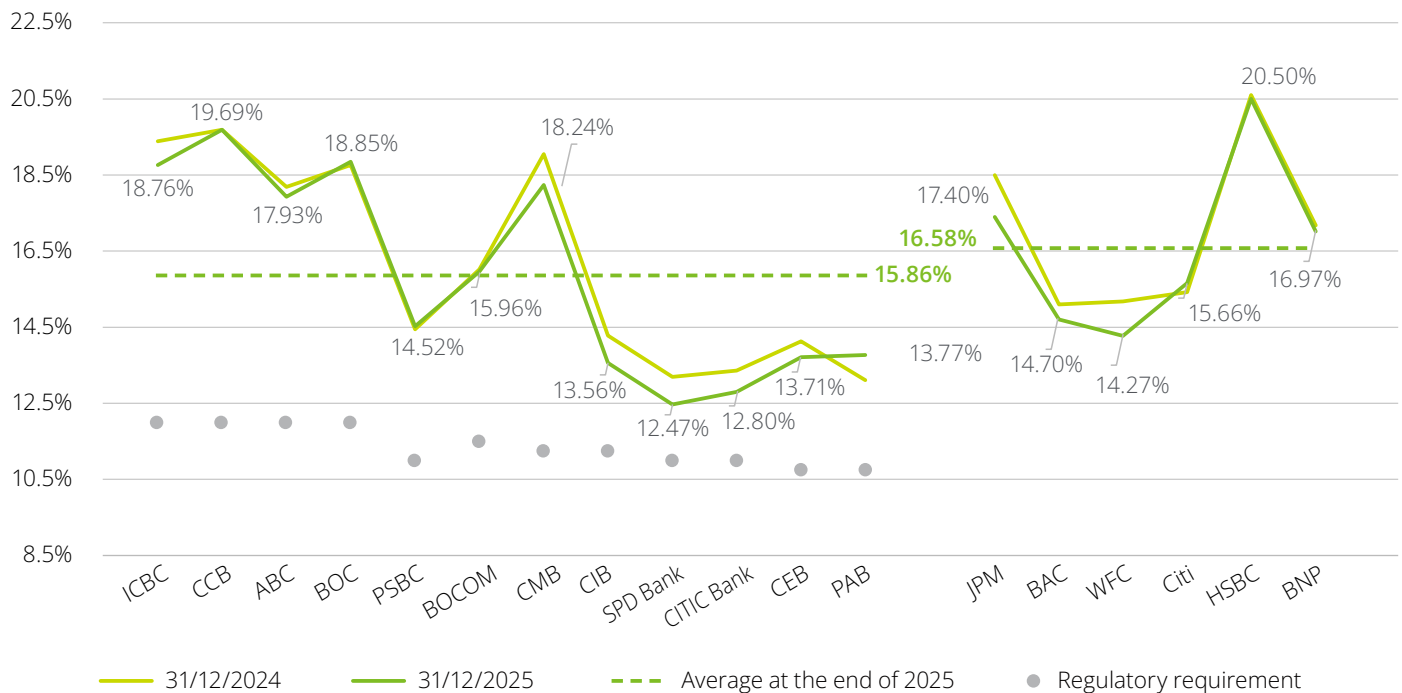
Among foreign banks, only HSBC saw an increase of 0.10 percentage points (rising from 17.20% to 17.30%) and continued to lead its foreign peers, while the rest of banks recorded declines. Among them, Citi and JPM saw relatively sharp declines, falling by 1.66 and 1.30 percentage points respectively.

Figure 2: Tier 1 Capital Adequacy Ratio



Domestic and foreign banks' capital adequacy ratios declined to varying degrees. Among domestic banks, except for PAB, BOC and PSBC, which saw increases of 0.66, 0.09 and 0.08 percentage points respectively compared with the beginning of the year, and CCB, which recorded unchanged capital adequacy ratio compared with the beginning of the year, the rest of banks recorded declines. Among them, CMB, CIB and SPD Bank saw relatively significant declines, falling by 0.81, 0.72 and 0.72 percentage points respectively; CCB's capital adequacy ratio were 19.69%, maintaining the highest among domestic banks.

Among foreign banks, only Citibank saw an increase of 0.24 percentage points in capital adequacy ratio, while the rest of banks recorded declines. JPM and WFC saw relatively significant declines, falling by 1.10 and 0.91 percentage points respectively; The capital adequacy ratio of HSBC fell slightly from 20.60% to 20.50%, but remained significantly higher than that of its foreign peers.

Figure 3: Capital Adequacy Ratio

Facing pressure in internal capital supplement, domestic banks actively sought external supplement capital

Throughout 2025, domestic banks strengthened their capital structures through exogenous financing strategies, with total capital supplement amounting to RMB1,852.4 billion. Among them, 7 banks supplemented core tier 1 capital; 4 banks raised RMB520 billion through issuance of A-shares to specific investors (including RMB500 billion raised through issuance of A-shares to the Ministry of

Finance); 3 banks completed bond-to-share conversion through convertible corporate bonds, amounting to RMB65.4 billion; 10 banks supplemented other tier 1 capital, amounting to RMB557 billion; 6 banks supplemented tier 2 capital, amounting to RMB710 billion. BOC issued large amounts of capital instruments, totaling RMB395 billion in 2025, accounting for 22% of its total capital supplement.

Table 2: External Capital Supplement

Unit: RMB100 million

Bank	Financing Instrument	Capital	Financing Scale
ICBC	Perpetual bonds	Other tier 1 capital	800
	Tier 2 capital bonds	Tier 2 capital	1,500
CCB	A-shares issued to specific investors	Core tier 1 capital	1,050
	Perpetual bonds	Other tier 1 capital	400
	Tier 2 capital bonds	Tier 2 capital	1,250
ABC	Perpetual bonds	Other tier 1 capital	900
	Tier 2 capital bonds	Tier 2 capital	2,150
BOC	A-shares issued to specific investors	Core tier 1 capital	1,650
	Perpetual bonds	Other tier 1 capital	700
	Tier 2 capital bonds	Tier 2 capital	1,600
PSBC	A-shares issued to specific investors	Core tier 1 capital	1,300
	Perpetual bonds	Other tier 1 capital	300
BOCOM	A-shares issued to specific investors	Core tier 1 capital	1,200
CMB	Perpetual bonds	Other tier 1 capital	470
CIB	Conversion of convertible corporate bonds	Core tier 1 capital	86
	Perpetual bonds	Other tier 1 capital	500
SPD Bank	Conversion of convertible corporate bonds	Core tier 1 capital	498
	Perpetual bonds	Other tier 1 capital	500
	Tier 2 capital bonds	Tier 2 capital	200
CITIC Bank	Conversion of convertible corporate bonds	Core tier 1 capital	70
	Tier 2 capital bonds	Tier 2 capital	400
CEB	Perpetual bonds	Other tier 1 capital	400
PAB	Perpetual bonds	Other tier 1 capital	600

In 2025, ABC, BOC and BOCOM each issued TLAC non-capital bonds of RMB100 billion, while ICBC also issued TLAC non-capital bonds of RMB10 billion. TLAC non-capital bonds refer to financial bonds issued by G-SIBs to meet TLAC requirements, which serve to absorb losses but are not commercial bank capital. In accordance with relevant regulations, the 4 major state-owned banks including ICBC, ABC, BOC and CCB were required to meet the regulatory requirements of a minimum external TLAC risk-weighted ratio of no less than 16% and an external TLAC leverage ratio of no less than 6% from 1 January 2025. At present, the

4 major banks have successfully met the first-phase TLAC requirements on schedule, with their external TLAC risk-weighted ratios exceeding 20% at the end of 2025.

PSBC's, CEB's, BOC's and BOCOM's total external capital instruments accounted for more than 40% of their total net capital. CMB's, CIB's, CITIC bank's and CCB's total capital instruments accounted for less than 25% of their total net capital, indicating a relatively low reliance on external capital. The proportions of other banks fell within the range of 25% to 40%.

Table 3: Proportion of Capital Instruments

Unit: RMB100 million

Item	Year	ICBC	CCB	ABC	BOC	PSBC	BOCOM	CMB	CIB	SPD Bank	CITIC Bank	CEB	PAB
Total capital instruments	2025	15,879	11,346	16,882	16,518	6,618	6,394	2,794	2,512	3,655	2,306	2,985	1,794
	2024	14,705	9,449	13,699	14,264	5,818	6,078	2,823	2,868	3,510	2,293	3,001	1,494
	Change	7.98%	20.08%	23.23%	15.80%	13.75%	5.20%	(1.04%)	(12.43%)	4.15%	0.56%	(0.53%)	20.05%
Total net capital	2025	53,028	46,634	44,487	39,459	13,843	15,898	13,750	11,471	10,005	9,840	7,000	6,437
	2024	49,865	43,033	41,127	36,056	12,441	15,088	13,117	11,205	9,485	9,442	6,871	5,827
	Change	6.34%	8.37%	8.17%	9.44%	11.27%	5.37%	4.83%	2.38%	5.48%	4.21%	1.88%	10.48%
Proportion of capital instruments	2025	29.94%	24.33%	37.95%	41.86%	47.81%	40.22%	20.32%	21.90%	36.54%	23.43%	42.64%	27.86%
	2024	29.49%	21.96%	33.31%	39.56%	46.77%	40.28%	21.52%	25.59%	37.00%	24.29%	43.67%	25.63%
	Change	0.45%	2.37%	4.64%	2.30%	1.04%	(0.06%)	(1.20%)	(3.69%)	(0.47%)	(0.86%)	(1.03%)	2.23%

Note: Total capital instruments refer to the amount (regulatory standard) of the key features of capital instruments and qualified external TLAC non-capital debt instruments for commercial banks.

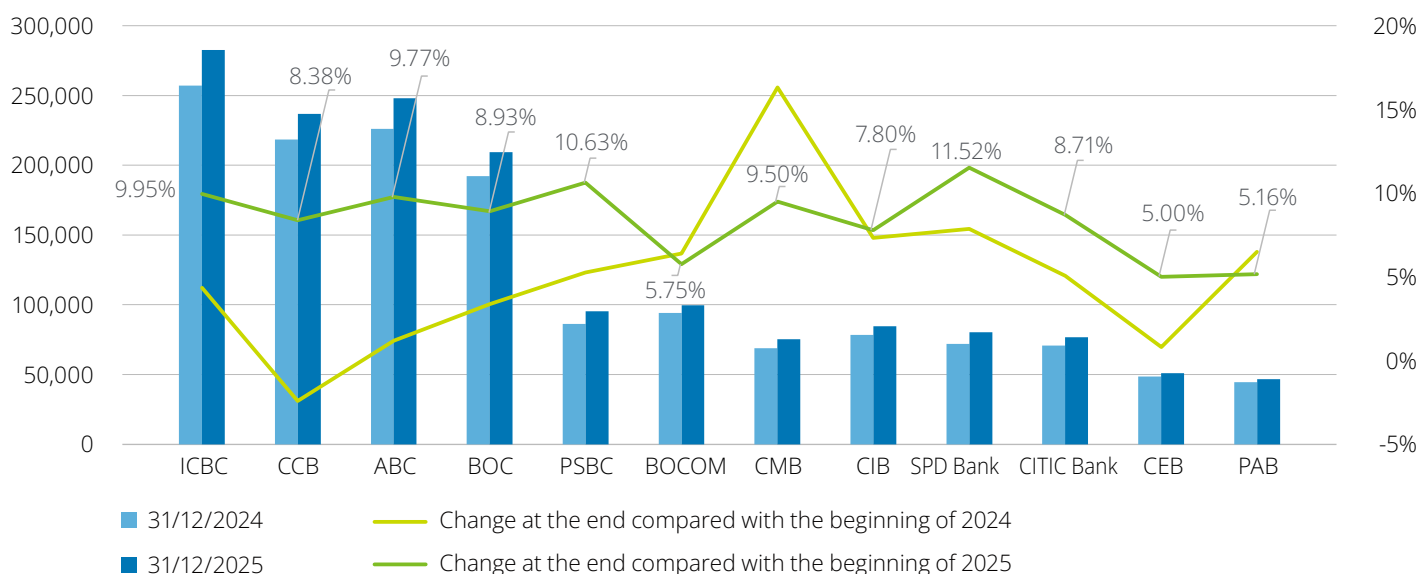
Risk-weighted assets grew significantly, and credit risk-weighted assets accounted for a bigger proportion

At the end of 2025, domestic banks' risk-weighted assets totaled RMB158.68 trillion, increased by RMB12.95 trillion compared with the beginning of the year, representing an average growth rate of 8.89%, and the growth rate increased sharply compared with the previous year. This rapid growth put continuous pressure on banks' capital adequacy ratios, highlighting the capital supplement

urgency. Among them, ICBC's total risk-weighted assets reached RMB28.27 trillion, ranking first among domestic banks; SPD Bank recorded the most remarkable increase of 11.52%. Domestic banks' total risk-weighted assets all rose, reflecting the combined impact of increased credit supply and prudent measurement of risk weights.

Figure 4: Risk-weighted Assets

Unit: RMB100 million



Credit risk-weighted assets continued to dominate in risk-weighted assets. Except for CMB and PAB, the rest of domestic banks' credit risk-weighted assets accounted for more than 90% of their total risk-weighted assets, averaging 92.05%, an increase of 0.48 percentage points compared with the beginning of the year, indicating a heavy concentration on credit business. Among them, SPD Bank's credit risk-weighted assets recorded the highest proportion of 94.35%; CMB's credit risk-weighted assets recorded the lowest proportion of 86.53%.

Within the landscape dominated by credit risk-weighted assets, certain banks exhibited distinct characteristics. PAB's, CMB's and CIB's market risk-weighted assets recorded relatively high proportions, reaching 4.98%, 4.22% and 2.86% respectively, reflecting a relatively high level of activity in financial market and interbank businesses. Furthermore, CMB's operational risk-weighted assets accounted for 9.26%, the highest among domestic banks, which was closely linked to its extensive retail business.

Table 4: Risk-weighted Asset Composition

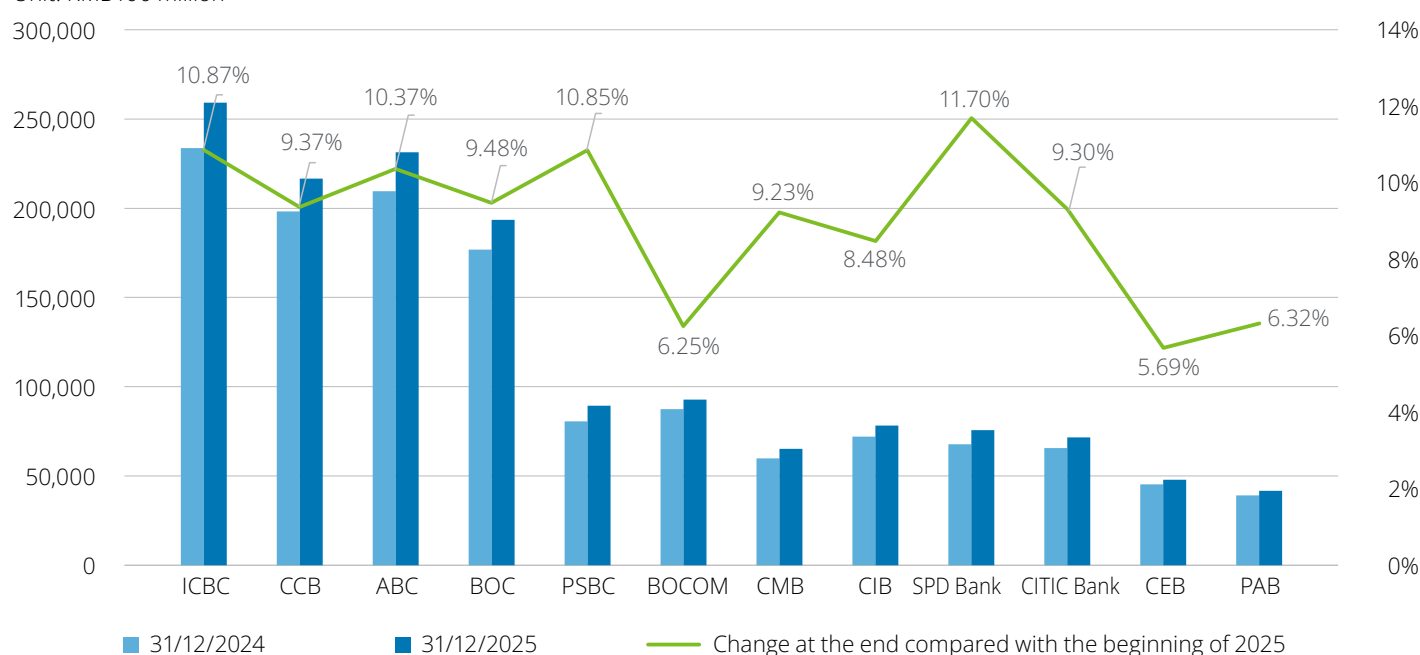
Item	ICBC	CCB	ABC	BOC	PSBC	BOCOM	CMB	CIB	SPD Bank	CITIC Bank	CEB	PAB
Proportion of credit risk-weighted assets	91.71%	91.50%	93.22%	92.46%	93.68%	93.17%	86.53%	92.33%	94.35%	93.15%	93.51%	88.99%
Proportion of market risk-weighted assets	1.67%	1.45%	0.72%	1.31%	0.83%	1.83%	4.21%	2.86%	1.49%	1.58%	1.56%	4.98%
Proportion of operational risk-weighted assets	6.33%	7.03%	6.06%	6.18%	5.49%	4.57%	9.26%	4.81%	4.16%	5.27%	4.93%	6.03%

Item	ICBC	CCB	ABC	BOC	PSBC	BOCOM	CMB	CIB	SPD Bank	CITIC Bank	CEB	PAB
Proportion of risk-weighted assets for switch between trading book and banking book	0.29%	0.02%	0.00%	0.05%	0.00%	0.43%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

At the end of 2025, domestic banks' credit risk-weighted assets totaled RMB146.29 trillion, up 9.53% compared with the end of the previous year. All domestic banks' credit risk-weighted assets recorded an increase compared with the end of the previous year. Since 2025, banks' credit risk-weighted assets continued to increase due to multiple factors including continuous expansion of credit volume and increases in weights of risky assets within bond investments.

Figure 5: Credit Risk-weighted Assets

Unit: RMB100 million

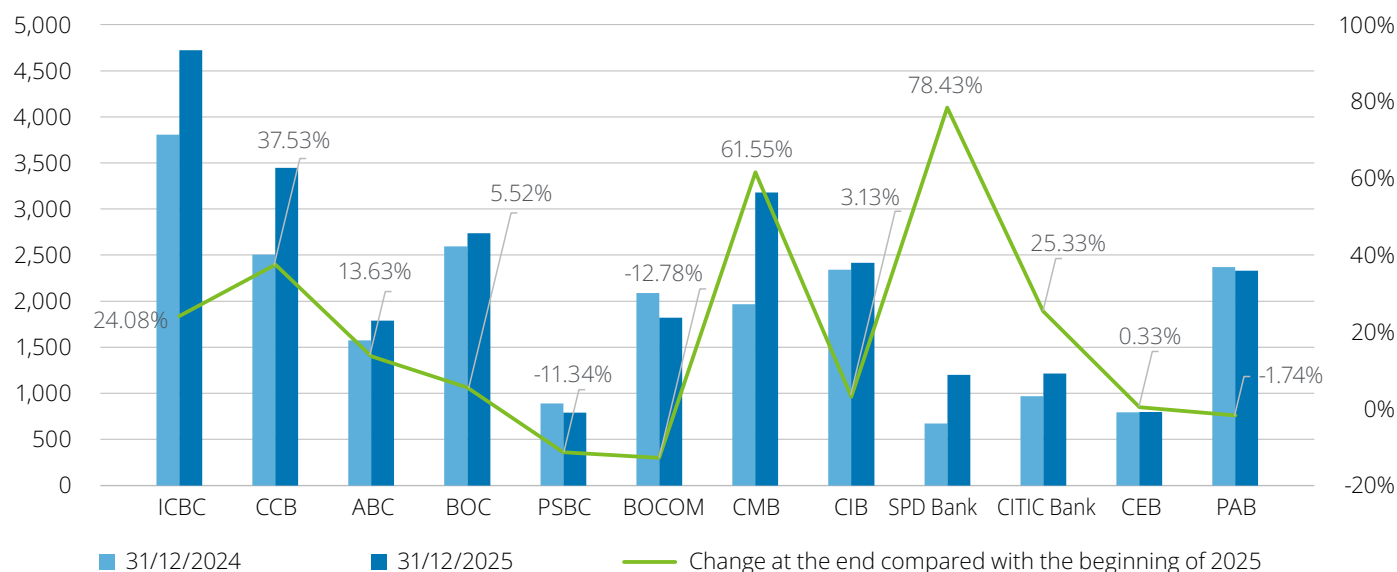


At the end of 2025, domestic banks' market risk-weighted assets totaled RMB2.64 trillion, up RMB0.39 trillion or 17.12% compared with the end of the previous year, with the growth rate slowing down compared with the same period of the previous year. The *Rules on Market Risk Management of Commercial Banks*, which came into force on 23 June 2025, separated interest rate risk in the banking book from the scope of market risk for the first time, clarifying that it shall be governed by dedicated management guidelines. This adjustment directly excluded interest rate risk assets that were originally included in market risk-weighted assets in the banking book, for

example, the interest rate-sensitive exposures from long-term bond investments were no longer included in the statistics, which dragged down the overall growth rate of market risk-weighted assets. SPD Bank's and CMB's market risk-weighted assets recorded remarkable growth rates of 78.43% and 61.55% respectively compared with the beginning of the year. This was mainly due to the active expansion of trading asset allocation and the growth of derivatives market-making and customer-facing businesses, which led to an increase in market risk-weighted assets.

Figure 6: Market Risk-weighted Assets

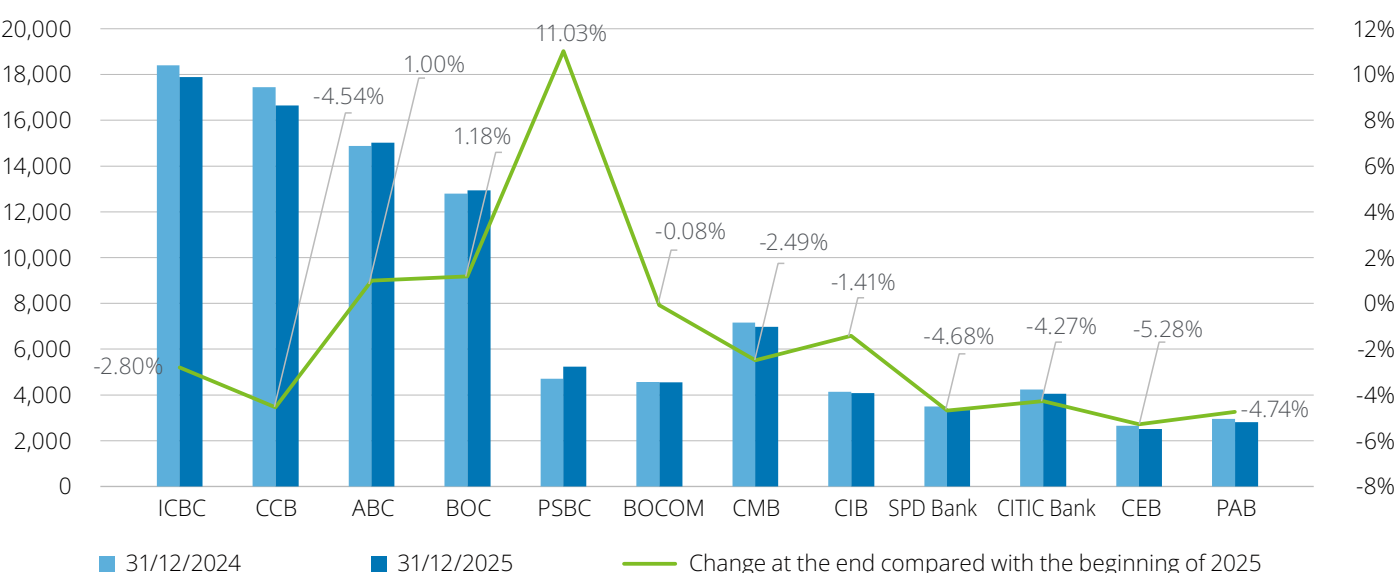
Unit: RMB100 million



At the end of 2025, domestic banks' operational risk-weighted assets totaled RMB9.61 trillion, down 1.39% compared with the end of the previous year. All domestic banks saw declines except PSBC, BOC and ABC.

Figure 7: Operational Risk-weighted Assets

Unit: RMB100 million



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Observation of Listed Banks' Business in 2025

- 1 • Harnessing the “Five Major Financial Initiatives” to activate new digital drivers: Ushering in a new phase of high-quality inclusive finance development through quality-and-efficiency leapfrogging and ecosystem restructuring
- 2 • Amid macroeconomic slowdown and margin compression: Retail banking pivots to refined digital-and-intelligent operations
- 3 • Compliance as foundation, investment research as core, and value as engine: Bank wealth management ushers in a new journey of high-quality development
- 4 • Reducing inventory, mitigating risks, and pursuing transformation: Commercial banks adopt targeted measures to safeguard real estate sector stabilization and transition
- 5 • AI reshapes bank competitiveness as Fintech advances into the intelligent critical phase



1

Harnessing the “Five Major Financial Initiatives” to activate new digital drivers: Ushering in a new phase of high-quality inclusive finance development through quality-and-efficiency leapfrogging and ecosystem restructuring

Slowdown in growth rate unfolds a new ecosystem requiring “quality and efficiency improvement” and the “Five Major Financial Initiatives” guides the “both inclusive and affordable” leapfrogging

Along with in-depth adjustments to the economic structure and shifting of the growth driver, finance is required to be more targeted in serving the real economy, while the imbalance in the development of regions and groups still exists. As the fundamental institutional arrangement for establishing a multi-tiered financial system, inclusive finance has become increasingly prominent in terms of its social value and strategic importance. In 2025, under the coordinated advancement of the “Five Major Financial Initiatives”, inclusive finance is accelerating its transformation from “expanding volume and coverage” to “improving quality and efficiency”, making concurrent efforts in inclusive credit and inclusive insurance, and entering a new stage

of high-quality development characterized by “targeted support, controllable risks, and ecosystem collaboration”. According to statistics from the National Financial Regulatory Administration (hereinafter referred to as the “NFRA”), by the end of 2025, the outstanding balance of inclusive MSE loans nationwide reached RMB37.00 trillion, representing a year-on-year increase of 10.98%. Among this, inclusive agriculture-related loans amounted to RMB14.19 trillion, accounting for 38.35% of the total balance of inclusive MSE loans. During 2025, the weighted average interest rate on newly issued inclusive MSE loans was 3.83%, showing a decrease of 0.53 percentage points compared to 2024. This trend reflects the continuously strengthened support from

banks toward micro and small enterprises, agriculture-related business entities, and key assisted groups. The NFRA has achieved notable success in reducing financing costs for MSEs under inclusive finance.

According to statistics from the NFRA, over the past three years, the balance of inclusive MSE loans provided by China’s banking financial institutions rose continuously, reaching RMB29.06 trillion, RMB33.34 trillion, and RMB37.00 trillion, respectively, with year-on-year growth rates of 23.29%, 14.73%, and 10.98%. Inclusive finance has transitioned from a phase of “rapid expansion” to a new stage of high-quality development characterized by “stable growth and structural optimization,” and a favorable pattern of stable volume and declining costs has largely taken shape. In terms of system building, the release of the Implementation Plan for the High-Quality Development of Inclusive Finance in the Banking and Insurance Sectors marks a new phase of systematic and standardized development for inclusive finance. In the next five years, efforts will focus on establishing a high-quality, comprehensive inclusive financial system covering inclusive financial services, inclusive credit, and inclusive insurance. In terms of key priorities, policies are increasingly targeting vulnerable areas such as private

enterprises, agriculture-related entities, poverty-stricken regions, and specific social groups. Greater emphasis is placed on digital empowerment and credit information sharing to enhance the precision and accessibility of financial services. In terms of international comparison, many of China’s inclusive finance metrics have already reached globally competitive levels. Metrics such as the penetration rate of inclusive finance accounts, savings, lending, and digital payments all surpass the average levels of developing countries. China is steadily advancing from being a “inclusive finance nation of quantity” toward becoming a “inclusive finance nation of quality”.

In 2025, which is a year to conclude the “14th Five-Year” Plan and design the “15th Five-Year” Plan, the inclusive finance policy system has entered a new stage of high-quality development focusing on “improving quality and efficiency”. After years of evolution, China’s inclusive finance policy system has generally realized a leapfrogging from the phase solely addressing inaccessibility and high costs of financing, toward a phase of building a comprehensive service system that is both inclusive and affordable and providing timely support where needed most.

Table 1: Inclusive Finance Policies Introduced in 2025

Date	Issued by	Policy	Highlights
March 2025	The General Office of the State Council	Guidelines on Advancing the Five Major Financial Initiatives (No. 8 [2025] of the General Office of the State Council)	- Promote the “Five Major Financial Initiatives”, namely, developing technology finance, green finance, inclusive finance, pension finance and digital finance; - Clarify that remarkable achievements shall have been made in the “Five Major Financial Initiatives” and continuous improvements shall have been made to the inclusive finance system by 2027; - Deepen the finance supply-side structural reform and strengthen the connection and coordination between finance policies and policies related to technology, industry, taxation and fiscal matters.
May 2025	The National Financial Regulatory Administration	Notice Regarding Effectively Providing Financial Services for Micro and Small Enterprises in 2025 (No. 46 [2025] of the General Office of the National Financial Regulatory Administration)	- Clarify the overall objectives of “maintaining quantity, improving quality, stabilizing prices, and optimizing structure” of financial services for micro and small enterprises in 2025; - Maintain quantity: maintaining the support for credit loans; - Improve quality: enhancing risk management and improving the quality of credit loans to micro and small enterprises; - Stabilize prices: stabilizing the prices for lending services and reasonably determining the interest rates for inclusive loans to micro and small enterprises; - Optimize structure: optimizing the supply structure, enhancing the discovery and cultivation of account users who apply for loans for the first time, and improving the implementation of the renewal policies.

Date	Issued by	Policy	Highlights
May 2025	The People's Bank of China	Notice on Matters Concerning the Establishment of Central Bank Lending for Service Consumption and Elderly Care	- Establish central bank lending for service consumption and elderly care with a quota of RMB500 billion and an annual interest rate of 1.5%; - Increase support for service consumption sectors such as hotels and catering, culture, sports and entertainment, and education; - Support development of the elderly care industry, which is the expansion and upgrading of the central bank lending specialized for inclusive elderly care; - Release to 26 national and systemically important city commercial banks.
May 2025	8 authorities including the National Financial Regulatory Administration	Several Measures for Supporting the Financing of Micro and Small Enterprises (No. 21 [2025] of the National Financial Regulatory Administration)	- Deepen and solidify the coordination mechanism to support the financing of micro and small enterprises, and channel more resources toward key sectors such as foreign trade, the private sector, science and technology, and consumption; - Strengthen the issuance of first-time loans, credit loans, medium- to long-term loans, corporate loans and loans to private enterprises; - Implement the no-repayment loan renewal policy for MSEs and expand the policy to medium-sized enterprises by stages (for liquidity loans due before 30 September 2027) - Propose 23 measures from 8 aspects including supply increase, cost reduction, efficiency improvement and targeted support for financing.
May 2025	The People's Bank of China	PBOC to Cut the Interest Rates on Central Bank Lending for Rural Development and Micro and Small Businesses by 0.25 Percentage Points	- After the adjustment, the interest rates on 3-month, 6-month, and 1-year central bank lending for rural development and micro and small businesses will be 1.2%, 1.4% and 1.5%, respectively. - Increase the quota of central bank lending for rural development and micro and small businesses by RMB300 billion and encourage local corporate financial institutions to increase credit placement for agriculture-related, micro and small, and private enterprises.
June 2025	The National Financial Regulatory and the People's Bank of China	Implementation Plan for the High-Quality Development of Inclusive Finance in the Banking and Insurance Sectors (No. 58 [2025] of the General Office of the National Financial Regulatory Administration)	- Clarify the objective to establish a high-quality, comprehensive, inclusive financial system over the next five years; - Optimize the inclusive financial service framework: establishing a multi-tiered, far-reaching, and differentiated framework for inclusive financial services, and improving financial services for prefectures, counties, and villages; - Enhance the structure and capabilities of the inclusive credit system: elevating the quality and effectiveness of lending services for small and micro enterprises, expanding credit availability in the "three rural" sectors, increasing credit support for poverty-stricken regions and specific groups, and reinforcing lending support for private enterprises. - Strengthening the inclusive insurance system: promoting professionalization within insurance firms, expanding the supply of inclusive insurance products, and providing quality inclusive insurance services.
July 2025	The People's Bank of China and the Ministry of Agriculture and Rural Affairs	Opinions on Enhancing Financial Services for Rural Reform and Advancing Comprehensive Rural Revitalization	- Strengthen financial support for food security and increase support for the construction of high-standard farmlands; - Deepen financial services for rural industries that enrich the population and implement the "one policy for one supply chain" financial service model; - Enhance financial services for rural development; - Unlock the potential of rural resources and assets and expand the coverage of collateral-based financing.

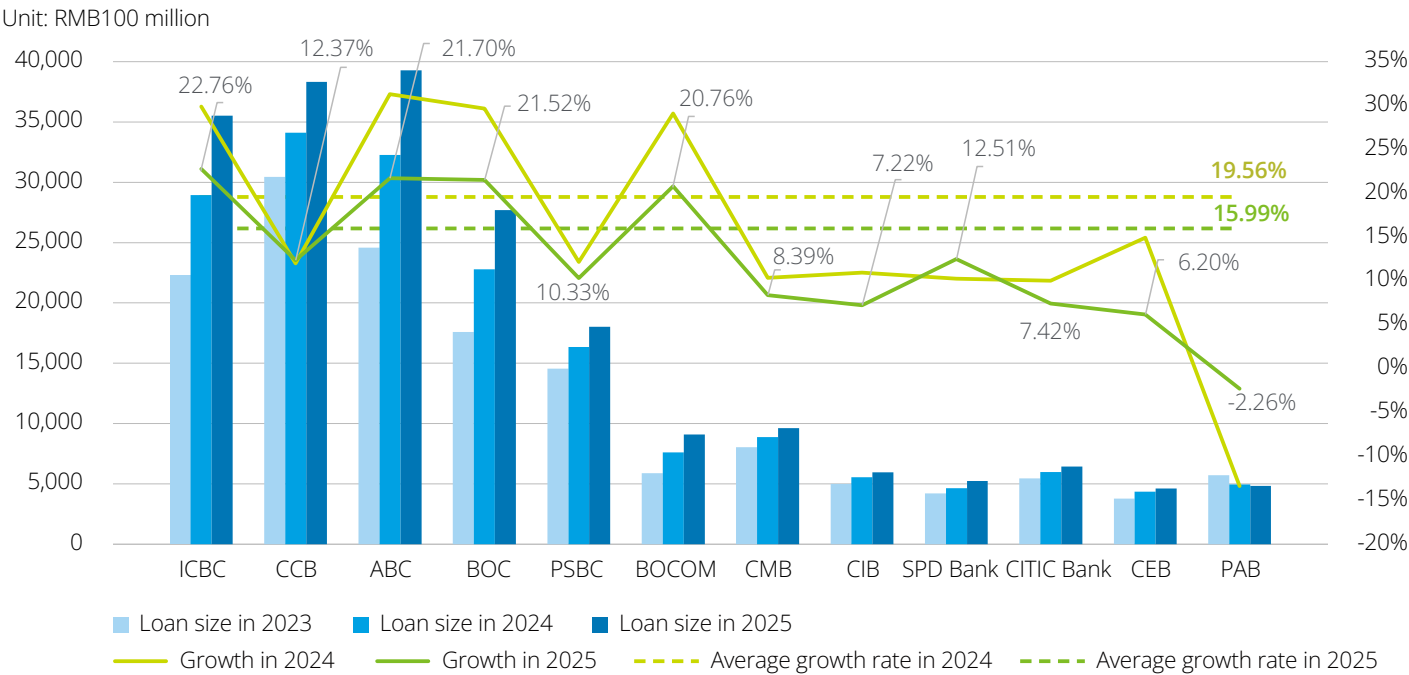
Date	Issued by	Policy	Highlights
September 2025	Seven authorities including the People’s Bank of China, the National Development and Reform Commission, and the Ministry of Industry and Information Technology	Guiding Opinions on Deepening Inclusive Finance Reform in Xining City, Qinghai Province, Baise City, Guangxi Zhuang Autonomous Region, Bijie City, Guizhou Province, Guyuan City, Ningxia Hui Autonomous Region, and Maoming City, Guangdong Province	• Improve the organizational system of inclusive finance and implement the policy of liability exemption for due diligence; • Optimize products and services for key sectors of inclusive finance; • Elevate the service efficiency for the capital market and smooth the direct financing channels; • Improve the inclusive insurance system and develop featured agricultural product insurances based on local conditions; • Orderly promote the development of digital inclusive finance.

Loan size steadily increases while loan structure becomes more differentiated; loans reach wider customer groups with improved quality and efficiency; lower interest rates benefit enterprises and individuals

The loan size, customer quantity, and interest rates for newly issued loans under inclusive finance of 12 large-sized listed commercial banks are summarized based on their 2025 annual reports.

Large-sized banks empowered by technology shoulder responsibilities for inclusive finance while small- and medium-sized banks compete with each other in other areas to cultivate features

Figure 1: Size of inclusive micro and small loans



Note: The loan size of CIB is for “inclusive micro and small loans”; the loan size of SPD Bank is for “inclusive loans under the ‘two-increase’ framework”; the loan size of CEB is for “inclusive loans”; the loan size of remaining 9 banks is for “inclusive MSE loans”.

In 2025, major large commercial banks continued to deepen their strategic arrangement in inclusive finance, with a diverging development trend. The balance of inclusive MSE loans from the six major state-owned commercial banks accounted for a rising share of the total banking sector, reaching 45.55% by the end of 2025 (2024: 42.77%). Leveraging their strengths in Fintech and policy guidance, these large banks are channeling financial resources more precisely to MSEs and vulnerable segments of the real economy, fulfilling their responsibilities as major state-owned banks. As at the end of 2025, the Agricultural Bank of China took the leading position in inclusive finance, driven by its deepened “three rural” strategy and empowered by smart lending technologies. Its balance of inclusive MSE loans reached RMB 3,928.04 billion, an increase of RMB 700.40 billion compared to the beginning of the year, representing a year-on-year growth rate of 21.70%, ranking first in the industry. The Construction Bank followed closely. By intensifying its focus on inclusive finance customers, expanding support for technology-driven MSEs, enhancing empowerment with digital and intelligent tools, it significantly improved the accessibility and inclusiveness of its financial services. Its balance of inclusive MSE loans reached RMB 3,831.64 billion, with a year-on-year growth rate of 12.37%, maintaining a steady growth. The Industrial and Commercial Bank of China ranked third with a balance of RMB 3,551.86 billion, achieving the highest year-on-year growth rate among the major state-owned banks at 22.76%. Through strategic leadership, institutional innovation, and ecosystem collaboration, these large commercial banks have demonstrated their role as industry leaders (“leading geese”) and stabilizing forces (“ballast stones”), continuing to serve as the main force in advancing inclusive finance.

The scale of inclusive MSE loans at joint-stock banks has shown a differentiated and divergent trend. As at the end of 2025, China Merchants Bank continued to lead the sector with a loan volume of RMB 962.14 billion. Industrial Bank achieved inclusive micro and small loans of RMB 596.07 billion, growing by 7.22%, maintaining a balance between volume growth and structural optimization while effectively managing risks, thus ensuring steady and healthy development. At the end of 2025, SPD Bank's inclusive loans under the “two-increase” framework reached RMB 523.99 billion, marking a 12.51% increase (2.25 percentage points higher than in 2024) and breaking through the RMB 500 billion threshold for the first time. SPD Bank became the only joint-stock bank to see an acceleration in growth, driven by optimized customer structure and enhanced digital capabilities. PAB's inclusive MSE loans declined by

2.26%; although this marks the second consecutive year of contraction, the rate of decline has narrowed compared to the previous year.

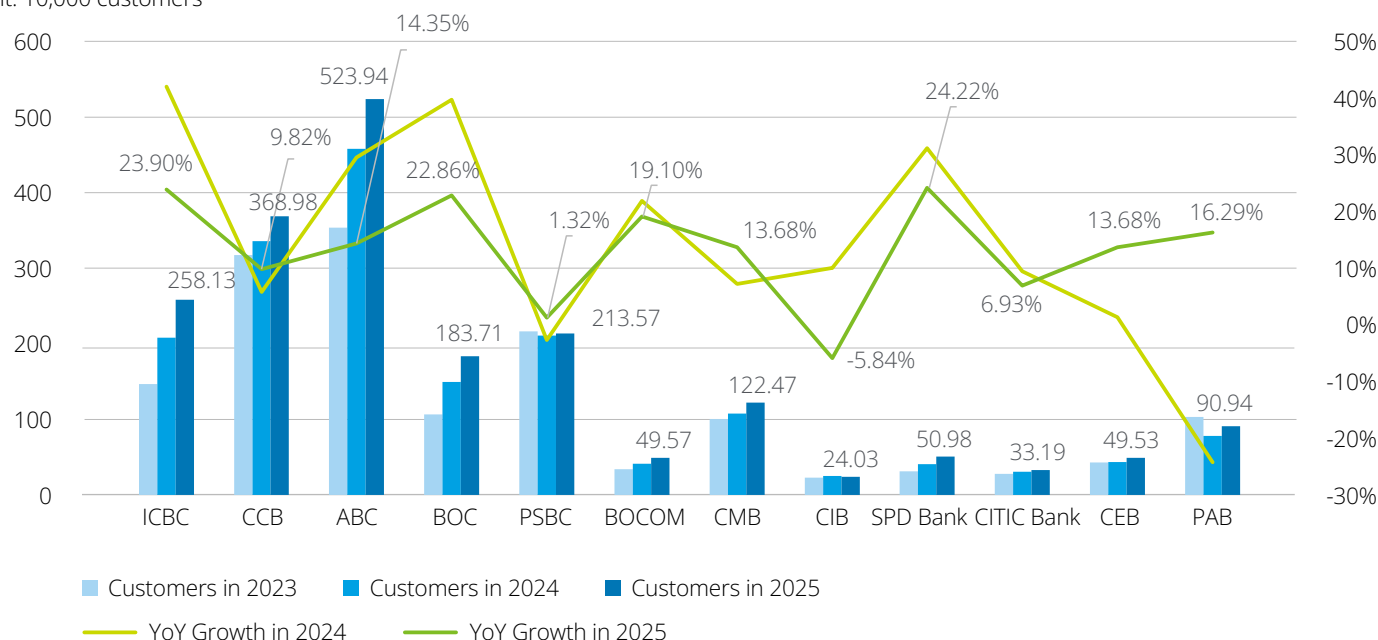
Although the volume of banks' inclusive micro and small loans maintained an overall growth in 2025, the growth rate slowed down in general. The average growth rate of 12 major listed commercial banks dropped to 15.99%, a decline of 3.57 percentage points compared to 2024, indicating a gradual shift from scale-driven expansion toward a development phase focused on structural optimization, quality improvement, and risk management. Among the 12 benchmark banks, all except SPD Bank recorded slower growth in 2025 than in 2024. After years of rapid expansion, the market potential for increase in inclusive MSE loans has become relatively limited. With current downward pressure on market interest rates and rising non-performing ratios of inclusive loans, the overall growth rate has reasonably decelerated. The trajectory of the inclusive finance industry is shifting from competing on “scale” to competing on “quality” and “distinctive offerings”.

Currently, large commercial banks, joint-stock commercial banks, city commercial banks, and rural financial institutions are collaborating to deepen the implementation of inclusive finance strategies. However, against the backdrop of large banks continuously expanding into lower-tier markets leveraging their low-cost and digital advantages, small- and medium-sized banks are facing challenges from the “cherry-picking effect” and “crowding-out effect,” shifting their competition from pricing to differentiated and distinctive positioning. For example, Industrial Bank has adopted a “technology-oriented” evaluation system that transforms “intangible intellectual assets” such as intellectual property rights into credit assessment criteria, and utilizes satellite remote sensing technology to precisely profile agricultural activities, having cumulatively served thousands of small and medium-sized technology enterprises. Meanwhile, CITIC Bank leverages the synergistic strengths of its corporate group to develop supply chain ecosystems, providing integrated “financing plus intellectual support” solutions for upstream and downstream sectors in industries such as animal husbandry, agriculture, and healthcare, thus achieving a leap from price-based competition to ecosystem empowerment. These practices demonstrate that joint-stock commercial banks are actively building a multi-layered, sustainable financial service ecosystem through technology empowerment and ecological collaboration, injecting strong momentum into the high-quality development of the real economy.

Expand targeted customer groups, and provide stable inclusive services

Figure 2: Number of inclusive micro and small loan customers

Unit: 10,000 customers



Note: The scope of ICBC, CCB, BOC, and PAB is "customers of inclusive MSE loans; the scope of ABC, PSBC, BOCOM, CMB, CITIC Bank is "customers with balance in inclusive MSE loans"; the scope of CIB is "customers of inclusive micro and small loans"; the scope of SPD Bank is "customers of inclusive loans under the 'two-increase' framework"; the scope of CEB is "inclusive customers".

As at the end of 2025, ABC has 5,239,400 customers with balance in inclusive MSE loans, being the first bank with more than 5 million customers and taking the first place among peers, with an increase of 657,600 customers compared to last year, or a 14.35% growth, leading the industry in terms of customer growth. CCB took the second place, with 3,689,800 customers of inclusive MSE loans, with an increase of 329,800 customers compared to last year, or a 9.82% growth, showing slower growth rate but wider customer coverage. ICBC ranked third with 2,581,300 customers, leading the six major state-owned banks in growth rate (23.90%). PSBC has 2,135,700 customers with balance in inclusive MSE loans, with only 1.32% growth, showing relatively lower capacity in customer acquisition.

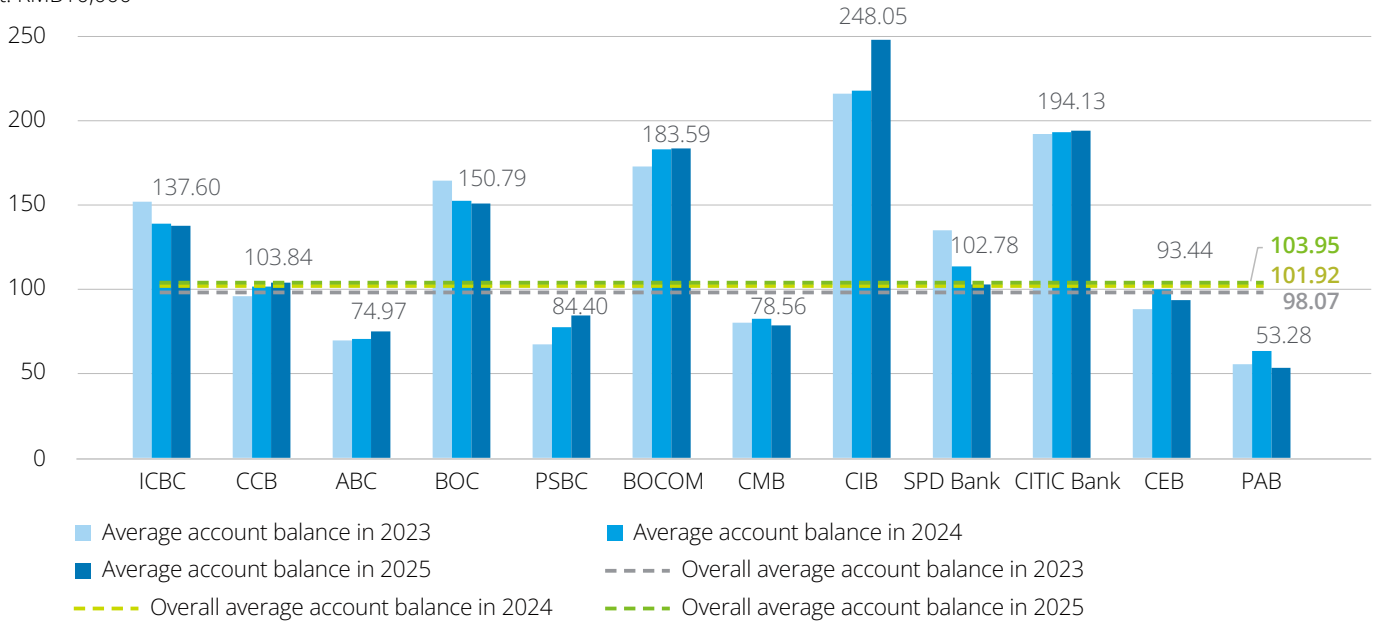
Among joint-stock banks, SPD Bank ranked first with a growth rate of 24.22%, reaching 509,800 customers (an increase of 99,400 compared to last year), and achieved dual improvements in scale and growth rate, making it the strongest one in customer acquisition among joint-stock banks. CMB maintained its leading position with 1,224,700

customers and a growth rate of 13.68%. At the end of 2025, CIB had 240,300 customers with inclusive micro and small loan, a slight decline compared to last year, as it focused on delivering high-quality products to premium customer groups and leveraging these customers to optimize its customer structure, asset composition, and liability structure. PAB rebounded with growth after a significant contraction in 2024, reaching 909,400 customers, with an increase of 127,400 customers or 16.29%.

In general, the growth in the number of inclusive lending customers has transitioned from a phase of broad expansion to one of structural optimization characterized by "selective growth and reduction." Some banks have proactively made adjustments and reductions and focused on higher-quality customer groups, leading to a slowdown or even negative growth in the number of customers. This trend reflects a shift in inclusive finance—from simply improving access to financing toward improving comprehensive quality by enhancing financing experiences, lowering financing costs, and better managing credit risks.

Figure 3: Average account balance of inclusive micro and small loans

Unit: RMB10,000



At the end of 2025, the overall average account balance for inclusive micro and small loans across 12 banks reached RMB 1,039,500, a slight increase of 2.03% compared to last year. Among the major state-owned commercial banks, ABC and PSBC leveraged their long-standing experience and extensive branch networks in the “three rural” sectors, and achieved average account balance of RMB 749,700 and RMB 844,000, representing increases of RMB 45,300 and RMB 68,900 compared to last year, demonstrating clear success in serving long-tail MSE customers. Among the other four major banks, CCB had a relatively lower average account balance at RMB 1,038,400, reflecting its strong focus on deeper market penetration. ICBC and BOC recorded average account balance of RMB 1,376,000 and RMB 1,507,900, respectively, down by RMB 12,700 and RMB 16,700 compared to last year.

Among joint-stock banks, the average account balance continues to diverge. At the end of 2025, the average account balance of inclusive micro and small loans at CMB, CEB, and PAB remained below RMB 1 million, reflecting a customer structure with relatively lower consumption. The average account balance at SPD Bank was RMB 1,027,800, a decrease

of RMB 107,000 from the prior year (the largest decline among major banks) and this marks the third consecutive year of decline. Meanwhile, the number of its customers increased by 99,400, a rise of 24.22%, indicating a strategic shift toward serving customers with lower consumption and a firm commitment to inclusive finance. CIB recorded the highest average account balance among joint-stock banks at RMB 2,480,500, an increase of RMB 302,100 (13.87%) compared to last year. Based on its “Exclusive Service Platform for Fujian Enterprises” and synergies with private banking high-net-worth customers, CIB focused on entrepreneur customers and their affiliated MSEs, to deepen its “one county, one industry, one strategy” service model and explore differentiated paths in inclusive finance.

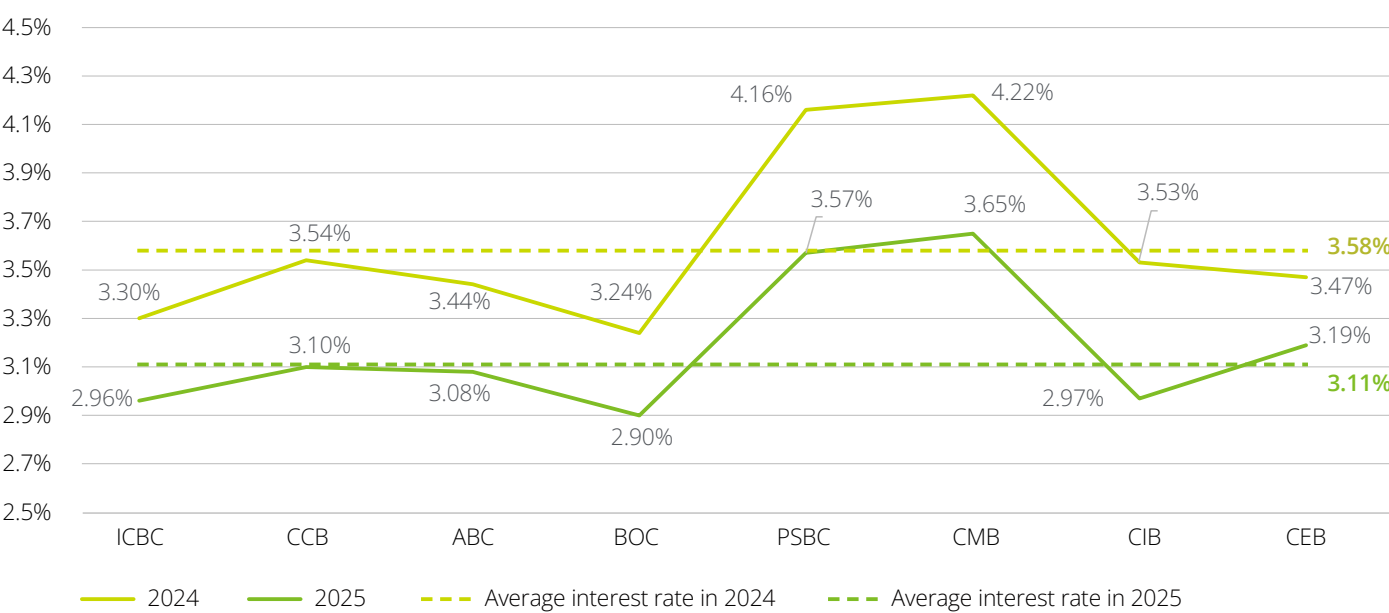
In general, the change in average account balance for inclusive micro and small loans in 2025 similarly reflects the strategic divergence among banks. This divergence marks the transition of inclusive finance from homogenized competition to a stage of differentiated positioning, with banks forging their own high-quality development paths according to their resource endowments and risk appetites.

Interest rates for inclusive loans keep declining and good policies support the sustainability of inclusive finance

In 2025, under the coordinated promotion of the “Five Major Financial Initiatives” and the policy guidance of “ensuring quantity, improving quality, stabilizing prices, and optimizing structure”, the monetary policy continued to intensify efforts to reduce the overall social financing costs. The central bank lowered the interest rate on central bank lending for the

rural sector and MSBs to 1.5% and added a new quota of RMB 800 billion, thereby reducing banks’ funding costs at the source and creating room for further declines in loan interest rates. At the same time, regulators simultaneously guided the industry to scientifically and reasonably determine the interest rate levels for inclusive MSE loans, enhancing the sustainability of business development and shifting from simple price competition toward a balance between pricing rationality and commercial sustainability.

Figure 4: Interest rates on inclusive micro and small loans newly issued



Note 1: SPD Bank, CITIC Bank, and PAB didn't disclose the specific interest rates in their annual reports. BOCOM disclosed that the interest rate for loans newly issued in 2024 was 3.23% (no disclosure in 2025). CITIC Bank disclosed a year-on-year decrease of 0.52 percentage points in the interest rate for loans newly issued in 2025. PAB disclosed a year-on-year decrease of 0.05 percentage points in the weighted average interest rate for loans newly issued in 2025.

Note 2: The figure disclosed by CIB was “the average interest rate for inclusive micro and small loans”, while the figures disclosed by other banks were the “average interest rate for inclusive MSE loans”.

Under the joint effect of a slew of policies, through the transmission of LPR cuts, preferential internal fund transfer pricing, and cost reduction and efficiency improvement brought by Fintech, the interest rates on newly issued inclusive MSE loans have further declined. As a result, financing costs for micro and small enterprises remain at historically low levels. Major state-owned banks, leveraging their advantages in funding costs, were the first to lower rates below 3%. ICBC and BOC reduced their interest rates to 2.96% and 2.90% respectively, placing them at the lowest end of the industry. Meanwhile, CCB (3.10%) and ABC (3.08%) have maintained competitive interest margins while expanding their loan scale. Among joint-stock banks, CIB closely follows with the interest rate of 2.97%, cutting

0.56 percentage points to fall below 3%, thus matching the major banks. CMB still adopted a higher rate of 3.65%, although it recorded the largest decline of 0.57 percentage points, demonstrating an accelerating catch-up trend. In general, the interest rate gap between major banks and joint-stock banks continues to narrow. The industry's “cut-throat” competition has somewhat eased, with banks placing greater emphasis on balancing pricing rationality and commercial sustainability.

In 2025, to achieve the high-quality development of inclusive finance, local governments and central ministries joined forces to form a coordinated policy framework, which leveraged the synergy between fiscal and financial measures,

and comprehensively utilized loan interest subsidies, risk compensation, and subsidies for guarantee fee reductions to continuously improve the policy support system for inclusive micro and small enterprises, precisely targeting the vulnerable segments of the real economy. For example:

- In January 2025, the Department of Finance and other departments of Jiangsu Province issued the “Work Plan for “Micro and Small Loans” of Jiangsu Province (2025–2027)”. Relying on the Jiangsu Provincial Risk Compensation Fund for the Development of Inclusive Finance, the plan aims to provide micro and small enterprises with credit services featured by “low threshold, low cost, and high efficiency” through a government-bank-guarantee collaborative model, further alleviating the challenges of difficult and expensive financing for micro and small enterprises.
- In February 2025, the People’s Government of Yancheng City, Jiangsu Province issued the “Several Measures on Strengthening Financing Support for Micro, Small, and Medium Enterprises Across the City” which clarified that the city would release new loans of RMB200 billion in 2025, with the growth rate of inclusive MSE loans no less than the overall loan growth rate, and the weighted average interest rate for corporate loans aiming to decrease by 30 basis points compared to last year. The policy also introduced interest subsidies for first-time loans to technology innovation enterprises, providing an annualized 1% interest subsidy for loans of eligible technology enterprises. Additionally, it supports financing guarantee institutions in conducting “Equipment Guarantee” businesses, offering an 80% subsidy on guarantee fees for equipment renewal guarantee services.
- In March 2025, the Shandong Development and Reform Commission and other departments jointly issued the “Shandong Province’s 2025 Policy Package for Promoting Steady Improvement of Economy with Enhanced Quality”, which improves the coordination mechanism for supporting financing of MSEs. The “Enterprise and Household Outreach” initiative has been launched to include all operating entities with loan needs in a “recommended list”, to ensure loans are extended to all eligible applicants and released promptly where possible. It also aims to optimize and enhance the functions of financing credit service platforms by aggregating credit data to strengthen creditworthiness for MSEs, supporting over RMB 500 billion in new credit extension. Additionally, the policy integrates the no-repayment loan renewal policy into the coordination framework for financing of MSEs.
- In June 2025, Mingshan District of Ya’an City in Sichuan Province was elected as the Demonstration Area for Inclusive Finance Development Supported by the Central Government to implement the incentive policy for inclusive micro and small loans. In 2025, fiscal subsidy fund of RMB16,690,100 was released for financial interaction; Interest subsidy and risk compensation policies were issued and start-up guarantee loan funds were established. Fund of RMB100 million was raised to invest in guarantee companies in Ya’an, so as to broaden financing channels for local enterprises.
- In July 2025, Qinghai Province issued a fiscal policy to support inclusive finance development, which plans to build demonstration areas for inclusive finance, with two cities (or prefectures) selected each year in a tiered and progressive manner. Through subsidy funds, local governments are encouraged to utilize various forms of support, such as interest subsidies and risk compensation for loans for rural development and micro and small businesses, capital replenishment for government-backed financing guarantee institutions, and incentives for lowering financing guarantee fees. The policy also implements subsidy measures for start-up guarantee loans, including loans of up to RMB300,000 for individuals and up to RMB4 million for MSEs. Fiscal interest subsidies covering 50% of the actual loan interest rate will be provided in accordance with regulations.
- In July 2025, three departments including the Jinzhong Municipal Bureau of Industry and Information Technology of Shanxi Province issued the “2025 Action Plan for Improving Financing Services for Micro, Small and Medium-sized Enterprises”, actively seeking provincial fiscal interest subsidies for manufacturing loans. On top of the 1 percentage point interest subsidy provided by the provincial government, an additional 1 percentage point subsidy will be provided by fund under unified management. The plan encourages all types of enterprises to actively apply for the provincial “Urban Renewal Loan” fiscal interest subsidy program and supports financing guarantee institutions in conducting “Equipment Guarantee” business, providing subsidies for equipment renewal guarantee services.

Deepen strategic positioning, strengthen digital empowerment, and build an ecological service system for inclusive finance

Bank	Strategic positioning	Development model	Major products
ICBC	ICBC deepened the "Five Major Financial Initiatives" for inclusive finance and followed the development path of digitalization, intelligence, integration, and ecologicalization; it built the "Tangram" digital modeling toolbox to support branches in rapidly innovating inclusive financial products tailored to regional characteristics.	- ICBC carried out the "Navigation AI+" Action, with AI digital employees handling the work of 55,000 person/year; - ICBC became the first bank that obtained the highest rating of Financial Digital Maturity Matrix (FDMM); - The increase in digital inclusive loans makes up over 80% of the increase in inclusive loans; - ICBC implemented the "Enterprise and Household Outreach" initiative.	- ICBC launched the "Navigation" action plan for technology finance and upgraded the "Manufacturing E-loan" and "Merchant E-loan"; - The balance of agriculture-related loans granted through the "1+4+X" featured financial service system for rural revitalization exceeded RMB 5 trillion; - The special inclusive version of ICBC mobile banking have served up to 206 million online customers in counties and townships.
CCB	CCB Comprehensively implemented the three solutions by serving as "a bank providing lifetime services for technologies, a partner bank safeguarding the growth of sci-tech innovation entities, an integrated hub bank with full functions of the sci-tech innovation ecosystem"; and established the "Shanjian Technology" service system with ten integrated hub functions ("equity, loan, bond, insurance, leasing, security, fund, matchmaking, supply chain, and incubation"), which cover the lifetime of enterprises and technologies.	- AI empowers 398 scenario-based applications: CCB established a full-chain corporate level AI system which penetrated into field including wealth management, inclusive finance, risk management, and sci-tech R&D; - CCB carried out the "Innovation-driven" special finance action for micro and small sci-tech enterprises and the interest rates on loans under inclusive finance declined for 8 consecutive years.	- The "CCB Huidongni" platform got 546 million users; - CCB innovatively launched "Technology Easy Loan", "Technology R&D Loan", "Technology Transformation Loan" and other exclusive products; - The balances of exclusive loan products for micro and small sci-tech enterprises such as "Shanxindai" and "Shankedai" exceeded RMB160 billion, with an increase of over 50%; In 2025, CCB underwrote sci-tech innovation bonds of RMB71,984 million, with a year-on-year growth of 282.43%; "Quick Loan for MSEs" and other products under new model have cumulatively provided credit support of RMB21.14 trillion and served 6.14 million customers.
ABC	ABC formulated annual guidelines on inclusive finance credit policies and the management measures for inclusive retail credit business; established and reshaped the two-way empowerment development model with ABC features, which integrated online and offline services.	- ABC implemented the coordination mechanism for the financing of MSEs and carried out the "Enterprise and Household Outreach" initiative; - ABC upgraded "Inclusive E-station 3.0"; - ABC established a headquarter-level digital risk control center in Chongqing to identify, alert and handle credit risks of inclusive retail loans; - ABC comprehensively advanced the reform of "on-site + remote" centralized operations.	- ABC launched and promoted the unified credit view for inclusive retail customers of the entire bank for "unified credit granting, coordinated administration and centralized risk control"; - ABC launched "Micro Quick Loan 3.0" and upgraded "Quick E-loan Renewal" to ease the stress on renewal; - ABC developed "Technology Quick Loan", "Loan for Specialized and Sophisticated Little Giant Enterprises", and "Agricultural Park Sci-Tech Enterprise Loan"; - The balance of "Huinong E-loan" reached RMB1.84 trillion.

Bank	Strategic positioning	Development model	Major products
BOC	BOC launched the “BOC Integrated Sci-Tech Customer Cultivation Program”, facilitated the implementation of the quality improvement action plan to stabilize and expand employment, and held an “Inclusive Loan for Employment Promotion” themed event for four consecutive years.	• BOC accelerated adoption of new technologies including artificial intelligence to continuously optimize customer experience, reduce operational costs, and improve management efficiency. • BOC advanced the transformation and upgrade of its business systems and the group's technology architecture; • BOC launched the “Benefit to Four Seasons” service action; established more than 1,000 pension finance outlets; and built over 200 “Community Elderly Care Service Alliances”.	• BOC launched specialized financial services, such as “loans for famous-brand, special, excellent and new products”, “Huichuang Loan”, and “Huijun Loan”; and invested in “Quick Loan for Agriculture”; • BOC invested in “Quick Loan for Agriculture”; and optimized the online product system of “BOC Quick Loan”; • Loans to stabilize and expand employment increased by 63% and domestic personal consumer loans increased by 28%.
PSBC	PSBC was committed to serving the “Three rural issues”, urban and rural residents, small and medium-sized enterprises, and aiming to be “a Major force in Serving Rural Revitalization and a Benchmark Bank for Inclusive Finance”.	• PSBC advanced proactive credit extension to “Three rural issues” customers. It profiled more than 600 million existing customers through data empowerment to form the “whitelist” of proactive credit extension, and realized the shift from loan application by farmers to proactive credit extension by the bank, and from scattered services to targeted outreach to customers in batches; • PSBC established the coordination mechanism for financing of MSEs, and carried out the “Enterprise and Household Outreach” initiative. It cumulatively visited 1,948,700 MSEs of various types, and extended credit of RMB1.37 trillion to operating entities on the recommended list.	• PSBC enriched the “U Prosper” system of technology finance services and served more than 100,000 sci-tech enterprises centering on “Sci-Tech Loan” and “Sci-Tech e-Loan”. The balance of technology loans surpassed RMB950 billion. • PSBC launched “Inclusive Discount”, a dedicated discounting product for MSEs. By introducing a proactive credit extension mechanism, it has reduced the review time of discounting limit application for MSEs from T+2 to T+0. “Smart Instant Discount” realized money arrival in 2 minutes, which has served 9,050 customers with RMB11,664 million discounted and released; • PSBC launched loan products for agriculture and animal husbandry and promoted process reshaping for the products; and established the “general plus exclusive” solution management system.
BOCOM	BOCOM established an integrated service system covering “stocks, debts, loans, leases and trust”; established a “digital operation center”; and upgraded the brand and product system for BOCOM Zhanyetong, BOCOM Yinongtong, Zhanye e-Loan, and Yinong e-Loan.	• BOCOM established a digital operation center and deployed AI-powered intelligent agents in scenarios such as marketing, risk control, and process optimization. • BOCOM promoted the service model of proactive credit extension and established the “credit+” comprehensive service model.	• BOCOM innovatively launched the “Farmers’ Quick Loan” online credit product; • BOCOM launched the “Elder Care Loan” online financing product; • BOCOM created the “Ke Chuang Yi Dai” (literally, Sci-Tech Loan Easy), an exclusive product system for micro and small sci-tech enterprises; • BOCOM issued 5,676,200 rural revitalization-themed cards, representing a net increase of 1,254,700 cards.

Bank	Strategic positioning	Development model	Major products
CMB	CMB integrated inclusive finance services in its long-term development strategy and operation management and proposed the "AI First" philosophy to unite employees' shared vision for digitalization & intelligentization.	- CMB provided automated and intelligent supply chain finance products by credit extension based on credit and data. It served 10,110 core enterprises and 60,007 upstream and downstream customers, with a year-on-year growth of 17.38% and 17.80%, respectively; - CMB included credit risk of corporate inclusive finance in the bank's risk management framework and established a closed risk management loop covering monitoring, feedback, and reports; It applied the quality monitoring system for corporate inclusive assets to realize the automated collection, computation and display of key metrics.	"CMB Loan" APP had 4,687,700 registered users in aggregate, with a year-on-year growth of 10.8%; - The amount of supply chain financing reached RMB1,104,985 million, with a year-on-year growth of 8.90%; - CMB introduced pure online data financing products "Zhao Qi Dai" and "Zhao Jie Dai" for corporate customers and launched "Sci-tech Loan" and the sub-products "Sci-tech Talent Loan" and "Sci-tech Technical Renovation Loan", which provided more than 6,000 sci-tech enterprises with credit support of RMB86,521 million.
CIB	CIB established a "3+N+X" standard risk assessment system for inclusive finance featured by "multi-source integration, multi-model portfolio, and multi-dimensional cooperation"; it fully implemented the "AI+" initiative and formed a "1+7" intelligent application framework.	- CIB established the first laboratory financial specialists workroom and adopted "One County, One Industry, One Policy" to provide targeted services for MSEs; - CIB launched the "electronic certificate verification" function to realize online application for pre-approval credit line without requiring customers to the counter; the financial specialist team accumulatively extended credit of RMB480,439 million to 58,729 customers; - The interest rate on newly released inclusive MSE loans reduced by 56 basis points compared to the beginning of the year.	- CIB created and optimized "Xingsu Loan" (exclusive to downstream of the industrial chain), "R&D Loan for Tech Enterprises", "Industrial Plant Loan" and the "Credit Boost" financial model; - CIB launched "Lianlian Loan" for loan renewals without principal repayment. The balance of agriculture-related loans reached RMB543,935 million, with an increase of RMB50,583 million compared to the beginning of the year.
SPD Bank	SPD Bank's digitalization & intelligentization strategy has entered the stage of capability enhancement and prompted shaping of the "three supers" (super platforms, super products, and super systems) as the core carriers.	- SPD Bank launched the "SPDB Inclusive Finance" app to serve as a corporate level service entry for inclusive finance customers - It realized "one-click online renewal" with an approval rate exceeding 90%. - It launched the "SPD Inclusive Finance Salon" customer service brand.	- It launched "SPD Flash Loan", "SPD Technology Loan", "SPD Chain Connect", "SPD Inclusive Loan", "SPDB M&A" and other digital and intelligent product systems; - The balance of "SPD Inclusive Loan" products is RMB140 billion, with an increase of 192% compared to the end of last year; 60% of the business process for "SPD Flash Loan" was cut, with full-process handing completed in as fast as two hours; - SPD Bank introduced the first batch of ChinaBond Green and Inclusive Finance Themed Public Offering in the market.

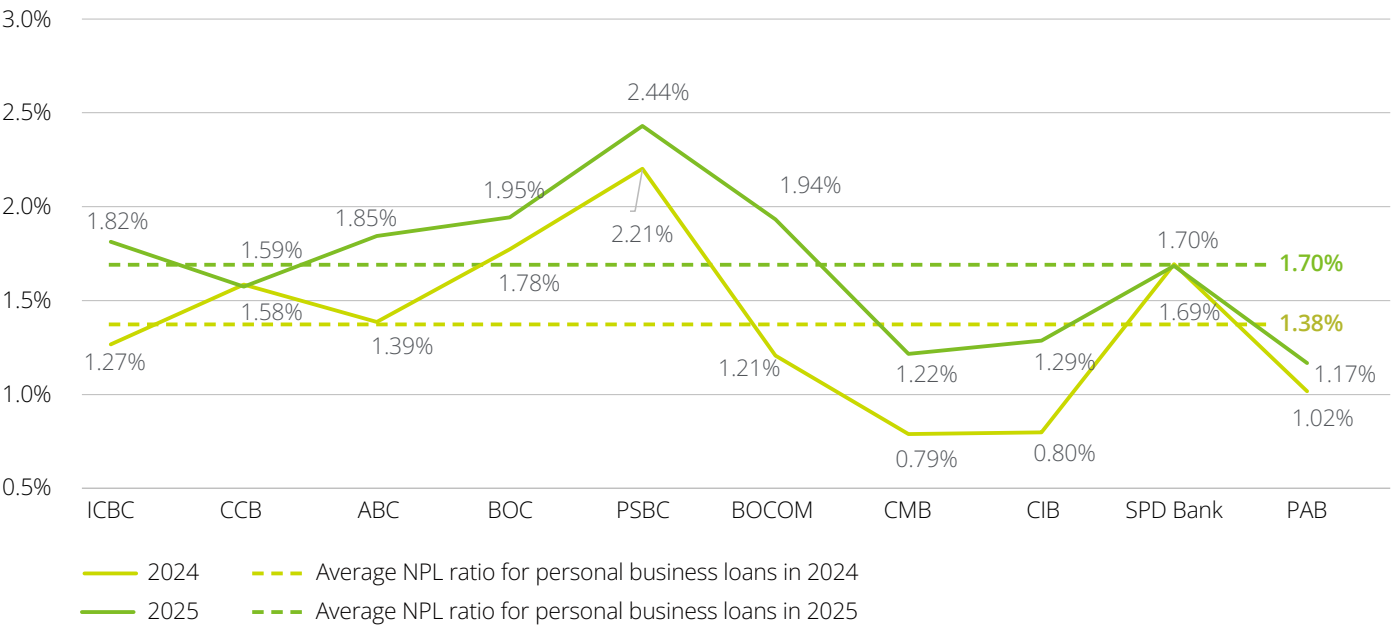
Bank	Strategic positioning	Development model	Major products
CITIC Bank	CITIC Bank improved the standardized product system for inclusive finance across multiple scenarios;	- It strengthened the technical foundation of services on all fronts with cutting-edge AI technologies such as big model and small model; - The smart wealth advisor digital human "Xiaoxin" accumulatively served more than 7.91 million customers; - It improved the embedded risk control system for inclusive finance and upgraded the digital risk control system 3.0; - It established AI marketing channels and promoted digital business tools such as "inclusive finance digital human".	- It launched over 20 standardized products, such as "Order E Loan" and "Sci-Tech E Loan"; - It created new products like "Logistic E Loan – Vehicle Insurance Installment", introduced a digital currency model for government procurement products, and promoted products online, achieving a total financing volume of RMB66.8 billion in the whole year. - It launched the "Inclusive Finance e-Platform" and innovatively advanced the coordination model that integrates "financing, intelligence, industry, construction and sales" to support a comprehensive service system for rural revitalization, which was selected as a "Model Case of Financial Support for Agriculture" by the Ministry of Agriculture and Rural Affairs.
CEB	CEB deepened the implementation of the financing coordination mechanisms for MSEs, set up "Technology Finance Centers" in 16 branches, and launched the "3+1+N" series of online inclusive finance products.	- It innovatively applied the "Marketing Funnel" model and leveraged tools such as Intelligent Outbound Call to facilitate the conversion of potential customers; - It introduced multi-dimensional data sources and strengthened whole-process risk management of businesses.	- It developed and optimized financing products such as "SRDI (Specialized, Refined, Distinctive and Innovative) Enterprise Loan" and "Tech Firm e-Loan" with loan size of nearly RMB18 billion, an increase of more than RMB6 billion compared to the beginning of the year; - It launched "Tech Firm e-Loan", an online credit product, and added the no-repayment loan renewal function; - It innovatively launched the "7+" fixed income plus wealth management product system.
PAB	PAB fulfilled the overall requirements of "ensuring sufficient supply, enhancing quality, stabilizing price and optimizing structure"; continuously improved its management systems and mechanisms and deepened operation of MSME customer groups; developed scenario-based batch business model centered around the "circle, chain, and platform" framework; and established the "credit+" service model.	- It actively implemented loan interest subsidy policies for service sector entities; - It reduced service costs for MSEs by offering interest coupons and reduction and exemption of settlement fees; - It established the new generation digital management platform for inclusive finance business and deepened the application of "Credit Information Sharing Platform for Capital Flows".	- It launched exclusive products such as "sci-tech innovation loan" and "pre-IPO loan" and delivered integrated, one-stop financial solutions through a "commercial bank + investment bank + investment" model. - It developed characteristic businesses such as "grain processing loan", "agricultural science and technology support loan", "cotton farmer support loan" and "oat enterprise loan"; - It penetrated into local industrial clusters in Guangdong Province and launched specialized loan products such as "toy loan" and "fishery loan"; - It established and registered 18 inclusive finance service stations in Guangdong Province; and provided 243 personal pension products covering pension savings, pension WMPs and pension funds.

Growth driver shifting and risk restructuring at the high-quality development stage of inclusive finance

In recent years, the scale of inclusive MSE loans in China has continued to expand rapidly. With the overlap of increasing credit loans and declining interest rates, banks' risk buffers have narrowed due to the lag in risk recognition, leading to some fluctuations in risk indicators for inclusive finance businesses and increasing pressure on asset quality management. In 2025, with economic cycle fluctuations, adjustments in the real estate market, and declining stability

in household incomes, risks in inclusive MSE loans have begun to rise. Non-performing loan ratios for personal business loans across banks have generally trended upward, posing new challenges to asset quality management. After years of rapid expansion, inclusive finance is gradually entering a phase of re-balance between scale expansion and risk control.

Figure 5: Non-performing loan ratios for personal business loans



Note 1: CEB didn't disclose the NPL ratio for personal business loans; CITIC Bank didn't disclose the NPL ratio for personal business loans in 2024 and the ratio was 1.46% in 2025.

Note 2: The data disclosed by PSBC was the NPL ratio for small personal loans which were mainly for personal business purposes.

Note 3: The data disclosed by CMB was the NPL ratio for micro and small loans under retail loans.

The risk exposures of inclusive finance has become further apparent, with widening divergence in regional NPL ratios, increasing fragility in MSEs' operations, and weak risk resistance capacity of individual households. In 2025, the NPL ratios of personal business loans at 12 banks generally showed an upward trend. Among major state-owned banks, BOCOM saw its NPL ratio rise by 0.73 percentage points to 1.94%, with the highest increase. ICBC and ABC saw their NPL ratios rise to 1.82% and 1.85% respectively, with increases exceeding 0.45 percentage points. CCB maintained its NPL ratio at 1.58%, slightly decreasing by 0.01 percentage points compared to last year, demonstrating relatively stable asset quality management in inclusive

finance, primarily due to its robust credit risk management mechanism for inclusive finance and centralized operation of inclusive retail loans. Among joint-stock commercial banks, CMB's NPL ratio increased from 0.79% to 1.22%, a rise of 0.43 percentage points, while CIB's NPL ratio climbed from 0.80% to 1.29%, up by 0.49 percentage points, indicating mounting pressure on asset quality. SPD Bank maintained a relatively high but stable NPL ratio at 1.69%, with a slight decrease of 0.01 percentage points compared to the end of the prior year. Overall, in 2025, NPL ratios for inclusive micro and small loans generally rose, highlighting the critical importance of risk management during the high-quality development phase of inclusive finance.

Facing the challenges of balancing commercial sustainability with policy-driven concessions, the cycle mismatch between scale expansion and risk exposures, and the structural contradictions between major banks' development to lower-tiered market and the differentiated competition of small and medium-sized institutions in 2025, the key for commercial sustainability of inclusive finance is to build a credit risk management system aligned with the high-quality development stage.

- An intelligent credit evaluation system integrated with multi-dimensional data sources shall be built. It shall integrate data related to government affairs, taxes, industrial chain transactions, and capital flow, and leverage AI technologies to develop differentiated models such as the "technology-driven" sci-tech innovation evaluation model, to replace traditional reliance on collaterals. Dynamic credit files shall be established through cross-validation of multi-source data, to accurately identify borrowers' true repayment capacity and mitigate information asymmetry risks at the source.
- An industry-specific and lifecycle-based dynamic management mechanism shall be established. Tiered and categorized credit strategies shall be implemented according to vitality of industries such as manufacturing, wholesale and retail, and risk characteristics across enterprises' life stages, including start-up, growth, and maturity. A two-dimensional matrix based on customer value and risks shall be built to phase out high-risk, low-value customers, while providing high-quality customers with loan renewals without principal repayment, thereby optimizing the overall customer structure.
- The digital compliance and illegal intermediary prevention system shall be strengthened. AI-based anti-fraud models can be used to establish verification mechanisms and enhance the authenticity validation of customer information. Meanwhile, a shared blacklist database for illegal intermediaries shall be built and the application of capital flow and credit information sharing platforms shall be deepened to prevent loan fraud risks at the entry stage.
- The collaborative risk-sharing mechanism among banks, governments, and guarantee institutions ("Bank-Government-Guarantee" mechanism) shall be improved. Relying on fiscal risk compensation funds, government-backed financing guarantees, and insurance-based credit enhancement, a risk-sharing system involving multiple parties shall be established. The policy on exemption from liability for due diligence shall be implemented, and align with local interest subsidy policies. The risk-return structure can be optimized under the premise of controllable risks.

- Channels shall be broadened for diversified risk mitigation and market-based resolution. The no-repayment loan renewal policy can be optimized and online tools such as "one-click loan renewal" can be promoted. A combination of tools including non-performing asset securitization and debt-to-equity swaps can be utilized to establish a risk contingency management system. The cash collection and write-off processes can be improved to enhance the efficiency of non-performing asset disposal and strengthen the commercial sustainability of business operations.

At the beginning of 2026, China increased efforts to promote high-quality development of inclusive finance, with a series of major policies intensively introduced to set the tone for the year's work, as follows:

In January 2026, the Recommendations of the Central Committee of the Communist Party of China for Formulating the "15th Five-Year Plan" for National Economic and Social Development were issued, which proposed to make more efforts in developing inclusive finance and building an "multi-tiered, far-reaching, and sustainable" inclusive finance system.

In February 2026, China Center for Promotion of SME Development and China Banking Association jointly issued the 2026 Special Action Plan for Inclusive Finance, which proposed to set up a line of RMB200 billion for specialized central bank lending, provide the subsidy interest rate of 2.75% at least for "specialized and sophisticated" enterprises, and build a national guarantee risk pool with the government assuming 80% of the compensation risk.

In February 2026, the National Financial Regulatory Administration, the Ministry of Finance, the Ministry of Agriculture and Rural Affairs, and the People's Bank of China jointly issued the "Notice on Effectively Carrying Out Assistance Microcredit Work" (Jin Fa [2026] No. 2), which has optimized and adjusted the post-transition "microcredit for poverty-alleviated individuals" to "assistance microcredit", and expanded eligibility to people prevented from slipping back into poverty and registered poverty-alleviated individuals with ongoing assistance needs. The maximum loan amount has been lifted from RMB50,000 to RMB100,000. The central government subsidizes 70% of the loan interest rate (with the subsidy capped at a maximum of 2.5 percentage points).

In April 2026, the National Financial Regulatory Administration issued the "Notice on Carrying Out Financial Support for Comprehensive Rural Revitalization in 2026", which requires medium and large-sized banks to continue setting aside separate credit quotas for agriculture-related

lending and explicitly calls on large banking and insurance institutions to take the lead in maintaining financial order at the county level, and to resolutely prevent and rectify “cut-throat” competitive practices such as excessive co-debt exposure to agriculture-related customers and predatory “price wars”.

In addition, the Ministry of Finance, the People's Bank of China, and the National Financial Regulatory Administration have further optimized the fiscal interest subsidy policy for personal consumer loans by extending the policy implementation period to the end of 2026, expanding the coverage, raising subsidy ceilings, and increasing the number of participating financial institutions, thereby continuously reducing the credit cost of household consumption. The introduction of these policies marks a deep advancement of China's inclusive finance policy system from a phase focusing on “scale expansion and broad coverage” toward a new stage of high-quality development characterized by “improved quality and efficiency, targeted users, and controllable risks”.

In 2025, inclusive finance in China achieved a critical transition from rapid expansion to a stage of improving quality and efficiency. Banking financial institutions, while maintaining steady growth in business scale, shifted their

focus toward structural optimization and risk management, driving decline in financing costs and effectively supporting the real economy in improving the weaknesses. However, with business cycle fluctuations and the lagged emergence of risk exposures, asset quality came under pressure, marking the industry's entry into a new stage characterized by stable volume, declining prices, and heightened risks.

This transformation reflects both the direction of policy guidance and the intrinsic demands of market development. The banking industry needs to deepen technological empowerment in building risk control systems, and achieve a shift from passive risk prevention to proactive risk management through innovative risk control technologies, improved risk management mechanisms, and strengthened risk culture. Inclusive finance has already gone through the phase of scale expansion that addresses the issue of accessibility, and has now entered a critical stage focused on quality improvement. The banking industry must transition from policy-driven to risk-driven development, from credit supply to ecosystem-based services, and from competition based on scale to competition based on capabilities. It should leverage intelligent risk control to redefine risk boundaries and establish collaborative mechanisms to balance sustainable development.

Conclusion

Currently, the inclusive finance policy framework is advancing from a phase focusing on scale expansion and broad coverage, toward a new stage of high-quality development characterized by improved quality and efficiency, targeted users, and controllable risks. Looking ahead, inclusive finance will continue to align closely with the strategic direction of the “Five Major Financial Initiatives”, leveraging digital empowerment to deepen penetration to customers in lower-tiered markets and enhance service quality. Amid an environment with declining interest rate, banks shall remain committed to their original mission of benefiting enterprises and people, balance scale optimization with risk management, and continuously build a multi-tiered, differentiated, and sustainable inclusive financial ecosystem, to bring a new pattern of inclusive and affordable services through enhanced quality and efficiency.



2

Amid macroeconomic slowdown and margin compression, retail banking pivots to refined digital-and-intelligent operations

In 2025, the macroeconomy exhibited the characteristics of “meeting aggregate targets but with slowing growth”. The full-year GDP increased by 5.0%, while quarterly growth rates gradually declined to 5.4%, 5.2%, 4.8%, and 4.5%, respectively. The total retail sales of consumer goods surpassed RMB50 trillion for the first time, increasing by 3.7% year-on-year, yet the recovery in consumption remained lackluster. Monetary policy remained easy. On 20 May 2025, both the one-year and over-five-year LPRs were simultaneously cut by 10 basis points to 3.0% and 3.5%, respectively. The interest rates for one-year time deposits at major state-owned banks were lowered to 0.95%, marking official entry into “1%” era for deposit rates. Meanwhile, the net interest margin for commercial banks narrowed to a historically low level of 1.42%, remaining flat for three consecutive quarters on a quarter-on-quarter basis.

Retail business showed a clear divergence characterized by “general growth in scale but pressure on profits”. Wealth management has emerged as the core growth engine for

the industry, with retail assets under management (AUM) achieving comprehensive growth across the industry. This trend is primarily driven by the ongoing decline in deposit rates, which has accelerated the diversification of household asset allocation, as well as the industry-wide intensified strategic focus and resource allocation toward wealth management. Digital transformation continues to deepen, with the total monthly active users (MAU) of domestic mobile banking reaching 681 million, and average daily active users amounting to 85.55 million. AI-powered intelligent agents have now been fully integrated into core business processes, including customer service, risk management, and product marketing.

At the same time, the dual challenges of maintaining profitability and asset quality have become increasingly prominent. In terms of profitability, more than half of the banks that have disclosed their annual report data experienced negative growth in retail profits, with China Everbright Bank and China Zheshang Bank reporting

retail business losses of RMB 2.86 billion and RMB 5.186 billion, respectively. In terms of asset quality, NPL ratios for personal loans have risen almost across the industry—ICBC and BOCOM both recorded a comprehensive NPL ratio of 1.58% for personal loans. Credit card business has become a hot spot for concentrated risks, with the industry's overall NPL ratio approaching 3%. ICBC's NPL ratio for credit cards surged to 4.61%. Only a few institutions, such as SPD Bank, managed to achieve a countertrend decline in the NPL ratio.

Retail business of the banking industry as a whole is accelerating the transformation from “scale expansion” to “refined, digital, and intelligent operation”, replacing competition for increment with deeper engagement with existing customers. Under the dual pressures of narrowing interest margins and rising risks, the industry is striving to safeguard the “stability” and “advancement” of public wealth and explore new pathways for high-quality development by deepening wealth management transformation, strengthening AI technology adoption, and optimizing asset structures.

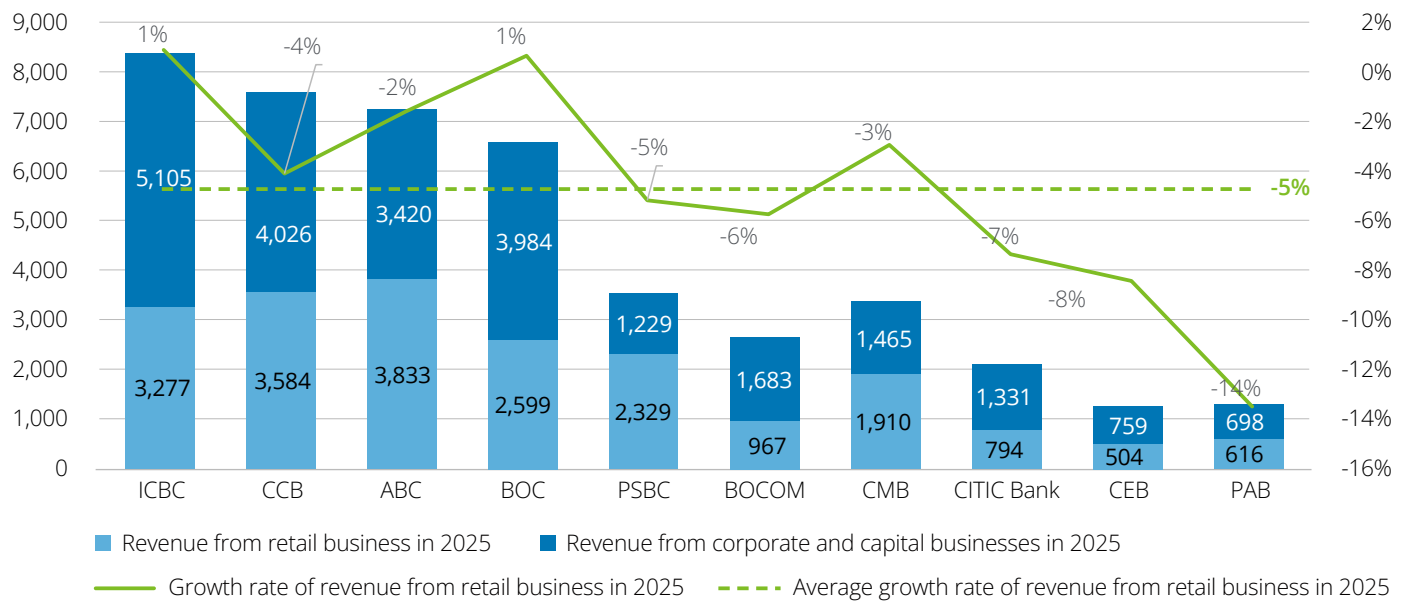
Revenue contribution of retail business declines, risk exposure compresses profit margins, and profitability pressures drive refined, digital and intelligent transformation

Except for CIB and SPD Bank, which didn't disclose the performance of their retail financial segments in their annual reports, the segment data disclosed by the other 10 major domestic commercial banks in 2025 show that the average revenue contribution from retail financial services accounted for 46%, a further decline of 3 percentage points compared to last year. Among the six major state-owned banks, PSBC ranked first in revenue contribution of retail business at 65%, followed by ABC and CCB at 53% and 47%, respectively; the remaining state-owned banks all exceeded 35% in revenue contribution of retail business. Among joint-stock commercial banks, CMB achieved a 57% revenue contribution of retail business, while PAB, CEB, and CITIC Bank recorded revenue contribution of retail business at 47%, 40%, and 37% respectively, indicating further divergence within the industry.

In 2025, the revenue from retail business of 10 major domestic commercial banks showed an average decline of 5%, further sliding from the 4% average decline in 2024, highlighting continuous pressure on growth in revenue from retail business across the industry. Among them, only ICBC and BOC achieved positive growth in revenue from retail business in 2025, with increases of approximately 1%. The other eight commercial banks experienced declines in revenue from retail business compared to 2024, with PAB seeing the largest drop at 14% year-on-year, while CITIC Bank and CEB posted declines of 7% and 8%, respectively. On the whole, in 2025, both the scale of revenue from retail business and the revenue contribution ratio declined for major domestic commercial banks. Factors such as narrowing interest margins and mounting pressure on asset quality continued to squeeze retail profitability, prompting the industry to accelerate its shift toward refined management and digital and intelligent transformation to enhance efficiency and performance.

Figure 1: Analysis of revenue from retail business

Unit: RMB100 million



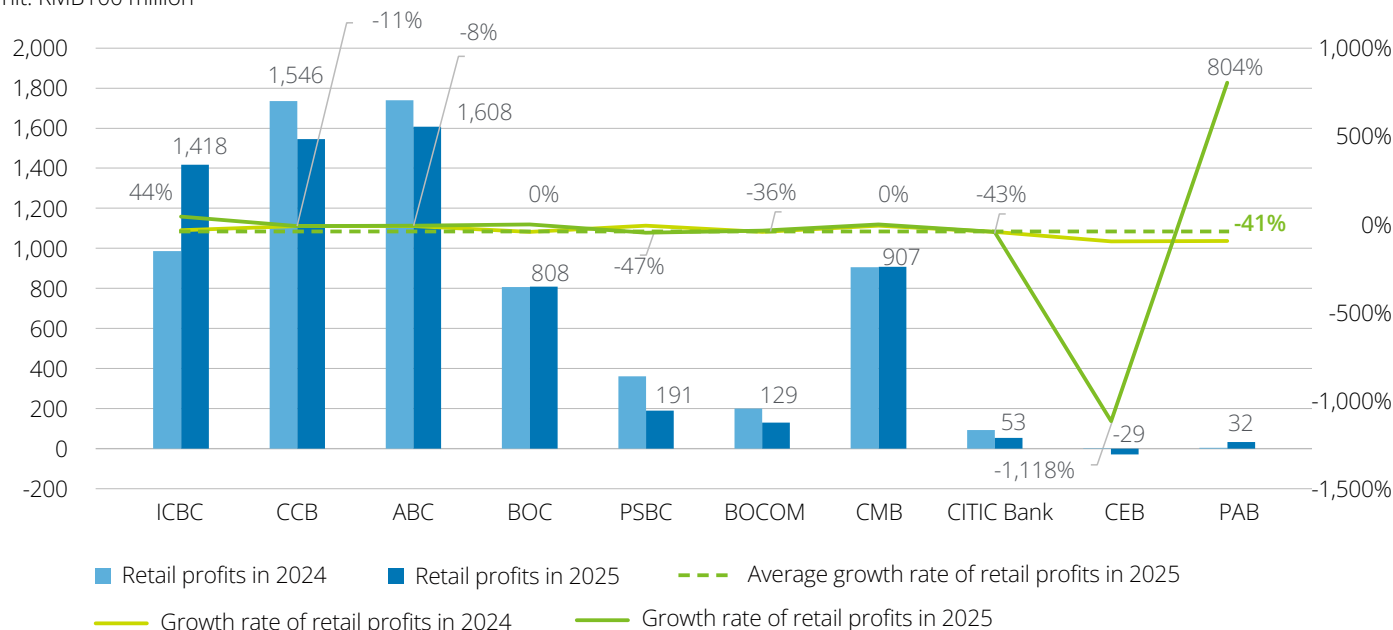
Note: CIB and SPD Bank didn't disclose performance of their retail financial segments in their 2025 annual reports.

The profit scale of retail business among 10 major domestic commercial banks showed clearly tiered differentiation: ABC, CCB, and ICBC firmly occupied the first tier, with ABC achieving RMB160.754 billion and CCB RMB154.624 billion in retail profits (both surpassing RMB 150 billion). CMB and BOC occupied the second tier, with retail profits ranging from RMB80 billion to RMB90 billion. The remaining banks fall into the third tier, with retail profits less than RMB20 billion. However, the average decline in retail profits reached 41% in 2025, reflecting an overall downward trend compared to last year. Notably, CEB shifted from a profit to a loss in its retail business in 2025, recording negative growth. In terms of declined amount, CCB and PSBC experienced the largest drops, being RMB18.8 billion and RMB17.1 billion,

respectively. The decline in retail profit contributions was primarily driven by three factors: First, the macroeconomy affected household income levels, dampening consumer willingness to purchase houses and spend, thereby weakening demand for retail credit and reducing fee-based income. Second, the LPR cuts and lower consumer loan interest rates led to declining yields on retail credit assets. Third, quality of retail credit assets came under pressure, prompting some banks to increase write-offs of non-performing assets and provisions, further squeezing profit margins of retail business. Among the 10 banks, only ICBC and PAB reported year-on-year growth in retail profits. ICBC's retail profits increased by RMB43.054 billion, while PAB saw an increase of RMB2.864 billion compared to last year.

Figure 2: Analysis of total retail profit

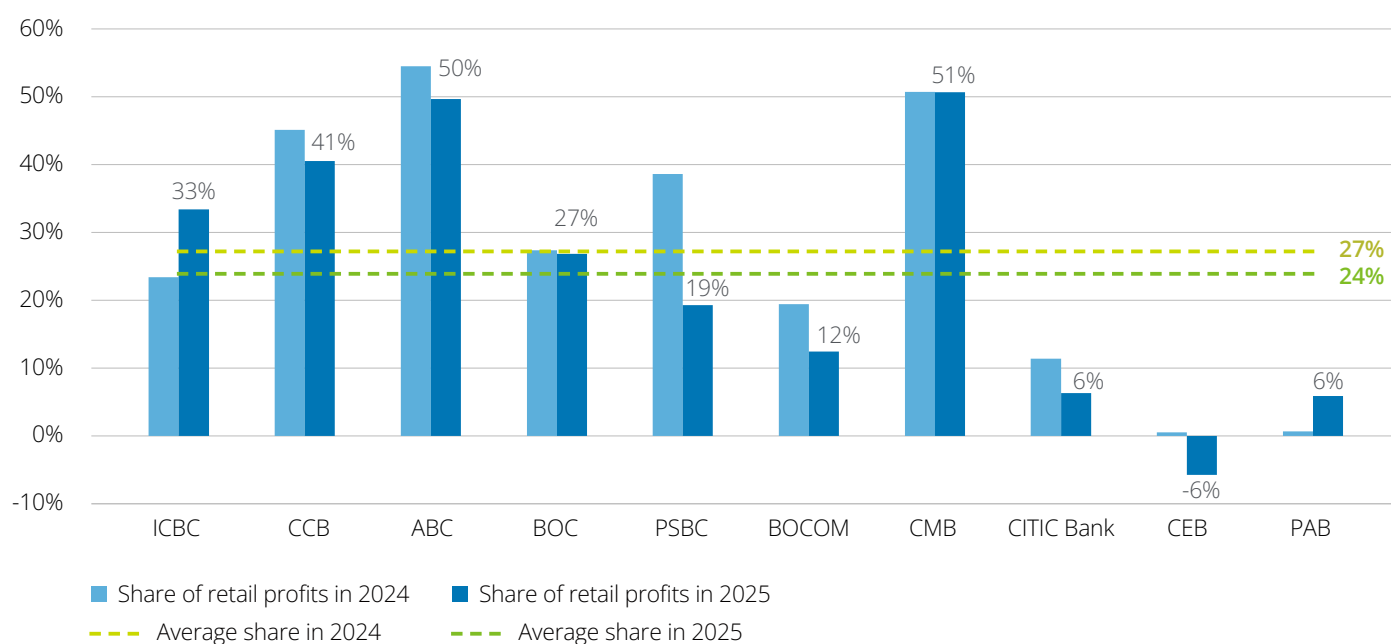
Unit: RMB100 million



Note: CIB and SPD Bank didn't disclose performance of their retail financial segments in their 2025 annual reports.

According to the segment profit contribution data disclosed by 10 major domestic commercial banks in 2025, the share of retail profit contributions in total operating profit generally declined. In 2025, the average contribution dropped to 24%, down by 3 percentage points from last year. Among the six major state-owned banks, PSBC recorded the largest decline

in share of retail profit contributions, falling 20 percentage points year-on-year to 19%. BOCOM followed, with its retail profit contributions decreasing to 12%, a 7-percentage-point drop from last year. In addition, both CITIC Bank and CEB saw their share of retail profit contributions decline by more than 5 percentage points compared to last year.

Figure 3: Analysis of share of retail profits


Note: CIB and SPD Bank didn't disclose performance of their retail financial segments in their 2025 annual reports.

Under the backdrop of plateauing user acquisition, mobile banking operations are facing mounting pressure, prompting the industry to shift focus toward deepening engagement with existing customers

As digitalization and AI become increasingly intertwined and the era of aggressive user acquisition comes to an end, mobile banking has firmly established itself as the central platform for commercial banks to serve retail customers. In 2025, the industry fully entered a new phase centered on deeper engagement with existing customers and unlocking value. With user growth approaching its ceiling and continued pressure on customer engagement, the previous model of extensive expansion is no longer sustainable. To overcome growth bottlenecks, strengthen customer retention, and maximize the value of existing customers, banks are leveraging generative AI as a core driver to comprehensively reshape user experiences, upgrade wealth

management services, deepen integration within open ecosystems, and reduce costs while enhancing efficiency through full-chain refined operations and integration of mobile apps, aiming to drive sustained growth in customer activity, AUM, and overall customer value.

As disclosed in the 2025 annual reports, 7 commercial banks maintained growth in mobile banking users (with variations in disclosure criteria across banks), although the overall growth rate slowed down compared to previous years. CIB and ABC recorded the fastest growth, at 11% and 9%, respectively.



Table 1: Number of mobile banking users

Unit: 100 million users

Bank	Number of mobile banking users as at 31 December 2024	Number of mobile banking users as at 31 December 2025	Growth rate of mobile banking users in 2025
ICBC	5.88	6.30	7%
CCB	4.24	4.41	4%
ABC	5.61	6.09	9%
BOC	2.93	3.13	7%
PSBC	3.78	Not disclosed	Not disclosed

Bank	Number of mobile banking users as at 31 December 2024	Number of mobile banking users as at 31 December 2025	Growth rate of mobile banking users in 2025
CIB	0.63	0.70	11%
SPD Bank	0.87	0.93	7%
PAB	1.74	1.82	5%

Note 1: The numbers of mobile banking users are total numbers of users of mobile banking + card-related life APPs disclosed by banks

Note 2: The number of ABC’s mobile banking users refers to the number of registered palm banking users; The number of CCB’s mobile banking users refers to the number of customers with assets on personal mobile banking; The number of PAB’s mobile banking users refers to the number of the registered users of the Ping An Pocket Bank App.

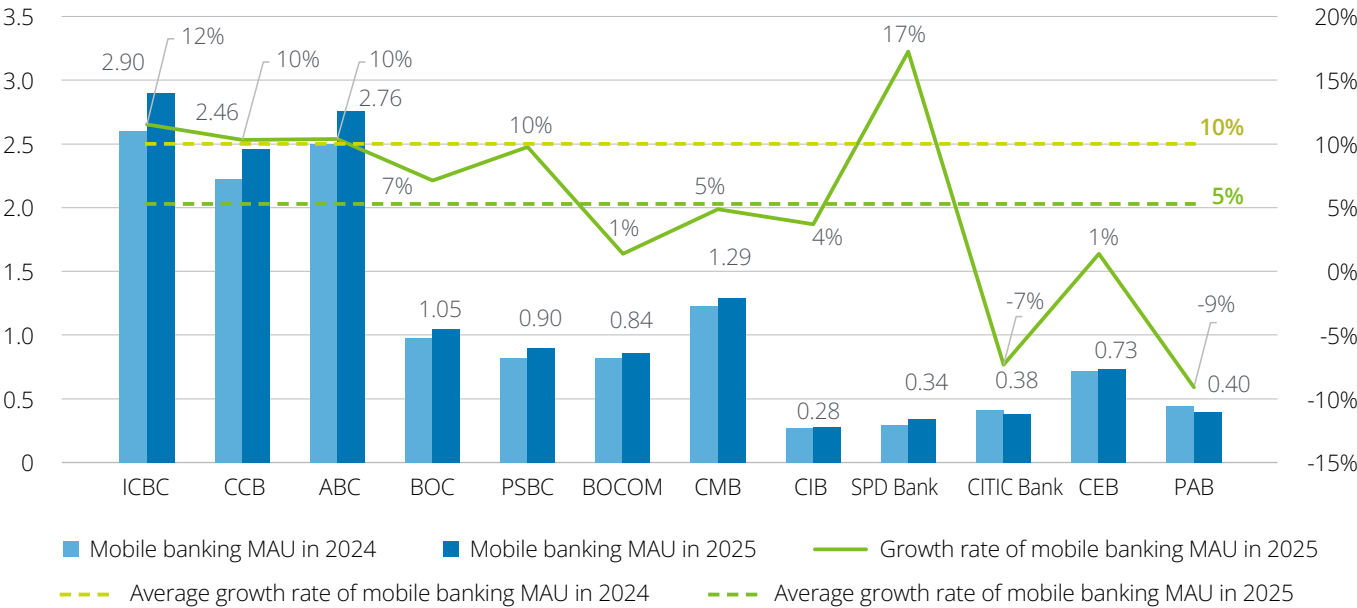
Note 3: BOCOM, CMB, CITIC Bank, and CEB didn’t disclose their numbers of mobile banking users for 2025 and 2024 in their annual reports; PSBC and CEB didn’t disclose their numbers of mobile banking users for 2025.

In terms of mobile banking MAU, the mobile banking MAU of ICBC, ABC, and CCB continues to lead the industry’s first tier, reaching 290 million, 276 million, and 246 million respectively by the end of 2025 (all maintaining a scale above 200 million). CMB’s two apps, namely CMB App and CMB Life App, achieved a combined MAU of 129 million, taking the leading position among joint-stock banks. In terms of the growth rate of mobile banking MAU, the average growth rate for 12 commercial banks in 2025 was 5%, down 5 percentage points from 10% in 2024, indicating a significant slowdown in industry-wide growth and highlighting the bottleneck in MAU growth. Among them, SPD Bank recorded the highest growth rate at 17%, while ICBC, CCB, ABC, and PSBC all achieved growth rates above 10%, showing relatively stable performance. However, CITIC

Bank and PAB experienced negative growth, declining by 7% and 9% year-on-year respectively, reflecting evident pressure on customer activity. The overall slowdown in growth rate of commercial banks’ mobile banking MAU, along with negative growth at certain banks, stems from intensified industry competition, insufficient differentiation in service scenarios, and functional homogenization, making it increasingly difficult to sustain customer stickiness. Additionally, slower household income growth, weakening consumption, and reduced credit card spending have led to lower engagement in card-related apps, further dragging down the overall MAU. The digital operations of commercial banks are now entering a new phase characterized by competition for existing market share.

Figure 4: Mobile banking MAU

Unit: 100 million users



Note: Mobile banking MAU refers to the total MAU of mobile banking + card-related life APPs disclosed by banks.

With traditional growth models of retail business under pressure, digital intelligence and channel expansion jointly drive high-quality transformation.

Commercial banks' retail business showed significantly slower growth, entering a period of in-depth adjustment characterized by "stable scale expansion, revenue under pressure, and profit divergence". Constrained by the three major challenges "decline in customers' effective credit demand, continuously narrowing net interest margins, and deteriorating asset quality", the traditional model to drive growth in credit lending is no longer sustainable. In this context, exploring new scenario-based ecosystems, unlocking value of existing customers, and advancing the integration of online and offline channels have become the key to overcoming growth bottlenecks and identifying the second growth curve. To broaden customer acquisition channels, banks took generative AI and big wealth management as dual engines in comprehensively upgrading online service capabilities, optimizing layout of offline outlets, and strengthening full-chain empowerment by Fintech, thus established an integrated service model featuring "comprehensive online coverage, enhanced offline experiences, and deep omni-channel synergy", which drove

a strategic shift in retail business from scale expansion to high-quality development.

Deepen digitalization & intelligentization of online services and deeply integrate all channels

In 2025, the banking industry comprehensively promoted a deep integration strategy focused on intelligent online services, value-driven offline outlets, and integrated omni-channel operations. In terms of online services, banks took large AI models as the core engine, enabling large-scale deployment of 500+ scenarios covering smart interaction, precise marketing, wealth advisory, and intelligent risk control. In terms of offline services, outlets accelerated their transformation from "transaction centers" to "wealth management centers, ecosystem experience centers, and complex service centers". Resources are being prioritized for counties, communities, senior citizens, and new urban residents. A service model combining "outlets + remote videos + door-to-door services" bridged the digital divide.

Table 2: Measures of banks to expand online scenarios and channels and the achievements

Bank	Measures to expand online scenarios and channels and the achievements
ICBC	- Leading the industry in customer scale and activity: At the end of 2025, the number of its personal mobile banking customers reached 630 million and the mobile terminal MAU exceeded 290 million, stably ranking first among peers. The number of its corporate Internet banking and corporate mobile banking customers reached 18.94 million and the average MAU was 8.36 million, maintaining the leading position in terms of customer scale and activity; - Penetrating into county-level channels and rural ecosystems: ICBC continuously promoted the construction of an integrated online and offline service network for counties and townships and optimized the layout of county-level outlets with the coverage reaching 87.5%; It provided online services to more than 206 million customers in counties and townships, indicating wider service coverage and deeper penetration.
CCB	- The number of customers with assets on personal mobile banking reached 441 million, with a year-on-year growth of 3.95%; the MAU of mobile banking, "CCB Life" APP, and "Binary Stars" platform reached 246 million, with a year-on-year growth of 10.31%; it further improved its service capacity for enterprises through online channels and maintained its leading position in customer penetration and activity of online channels including corporate mobile banking and corporate Internet banking; - CCB insisted the layout of integrated online and offline channels and launched the mobile banking 2025 version, which optimized the interaction experience and simplified the operation procedures. It deepened synergies in the "Binary Stars" ecosystem to realize user-based connection and shared interest between mobile banking and "CCB Life" APP, and expand "finance + life" scenarios; - It deepened penetration and application of AI technologies into/to all channels, including creating a digital twin named "personal AI assistant" for personal account managers and embedding AI-powered smart recognition in core functions such as transfers and payroll agency. Financial large models empowered 398 business scenarios cumulatively, improving online service efficiency and customer experience with digital and intelligent capabilities.

Bank	Measures to expand online scenarios and channels and the achievements
ABC	- At the end of 2025, the number of ABC's personal mobile banking customers reached 609 million, with the MAU of mobile banking exceeding 276 million and the MAU of mobile terminal exceeding 292 million, both taking the leading position among peers. The MAU of mobile banking in counties reached 130 million, with a year-on-year growth of 12%, further solidifying the foundation of online services for rural households; - It deepened the construction of scenario-based ecosystems, with the number of frequent Internet scenarios reaching 65,000. A "finance + life" integrated ecosphere was established, covering smart campus, government services, transportation, and other frequent scenarios. It vigorously developed the e-CNY wallet business and maintained the leading place in the MAU of personal and corporate customers. It also boosted the application of AI technologies and optimized the "on-site + remote" investigation model to improve the efficiency of online services.
BOC	- The number of registered customers of mobile banking reached 313 million, with MAU exceeding 105 million, representing a year-on-year growth of 7.11%, making mobile banking the most active trading channel of BOC. The Personal Mobile Banking app (International Version) was available in 31 countries and regions around the world and provided services in 12 languages, indicating continuous improvement in cross-border online service capacity; - BOC advanced digital and intelligent transformation and accelerated the application of Fintech. Financial large models were used in over 100 scenarios covering marketing, customer service, and operations. Smart marketing assistant, smart Q&A assistant and remote customer service assistant were widely used, covering customer managers at all levels and all the outlets and improving the efficiency of online services; - BOC deepened the construction for "Finance + life" scenario-based systems. It joined hands with leading e-commerce enterprises in supporting the "trade-in" and "state subsidy" policies and established an online service system covering consumption, cross border, elderly care, rural areas, and other diversified scenarios. It also launched the "pension finance section" and "Beautiful Countryside version" of the mobile banking App, which optimized the elderly-friendly and rural services and improved the comprehensive services for cross-border e-commerce. The annual transaction volume of "BOC Cross-border E-Business Express" exceeded RMB1 trillion.
PSBC	- In 2025, PSBC's MAU of personal mobile banking exceeded 90 million. It ranked No.1 for three consecutive years in the assessment held by China Financial Certification Authority (CFCA) for mobile banking customer experience. It deepened the application of AI technologies and planned over 260 large model scenarios to empower quality and efficiency improvement of financial services with digitalization and continuously improve online service capacities; - To boost digital and intelligent transformation, it formally launched the "AI2ALL" digital ecosystem and promoted the comprehensive integration of AI into the full chain of operation management and customer services. It upgraded mobile banking to the 11.0 version and launched conversation-based services like the AI assistant and AI Q&A to optimize the interaction experience, realize "voice-activated immediate execution", and establish a new interaction model of "conversation-as-a-service".
BOCOM	- In 2025, BOCOM's MAU of personal mobile banking reached 57,407,100 (a year-on-year growth of 3.61%) and the MAU of the "Go Pay" APP reached 26,640,200. The number of contracted customers of corporate online banking (bank-corporate direct link) had a year-on-year increase of 10.19%, and the number of contracted customers of corporate mobile banking had a year-on-year increase of 11.03%. The number of users of online mini programs increased notably, with the number of users of "BOCOM" WeChat Mini Program reaching 62,198,400 and the number of users of "BOCOM Loans" WeChat Mini Program reaching 13,298,300; - BOCOM launched mobile banking and "Go Pay" 10.0 version and introduced "AI Fawn Assistant" to optimize core functions like wealth management and cross-border payment. It established "finance + life" scenarios (covering cultural tourism, campus, and other sectors), optimized elderly-friendly services, and worked with leading platforms in improving the service scenarios. It invested RMB12.342 billion in Fintech, deployed over 2,500 intelligent agents, and established a digital and intelligent operations center, to boost collaborative online and office operations. It also launched the "Cross-border Payment Connect" and "Trade Connect" functions to strengthen the cross-border online services and promote higher penetration of corporate online services.
CMB	- Operating results of core channels: At the end of 2025, the total MAU of CMB APP and CMB Life APP reached 129 million, maintaining the leading place among joint-stock banks. The MAU of online channels for wholesale business reached 2,208,500, with a year-on-year growth of 13.29%. The activity level of enterprises for online services was steadily improving; - Measures to upgrade digital and intelligent channels: It implemented the "AI First" strategy. By upgrading the intelligent customer services, it expanded intelligent services from wealth-related scenarios to scenarios covering "deposit, loan, and remittance". It deployed 856 AI scenario applications and developed a series of intelligent assistants to optimize service experience for online customers and improve operation efficiency with the "people + digital intelligence" model; - Platform ecosystem construction: It continuously iterated the core functions of the CMB APP, and upgraded the open ecosystem of "Zhao Cai Hao" to introduce external asset management institutions to enrich service scenarios. It also enhanced the technical foundation of its two APPs to ensure stable operation of online services.

Bank	Measures to expand online scenarios and channels and the achievements
CIB	- The number of effective customers of mobile banking reached 70,216,700, with an increase of 11.83% compared to the end of last year. The MAU of mobile banking reached 27,575,500, indicating stable scale expansion of online customers. The corporate Wechat account had served 12,637,000 real-name customers, with a year-on-year growth of 84.19%, showing notable improvement in online outreach; - CIB upgraded the intelligent services of mobile banking, established an integrated agile task force combining "operation-experience-development", optimized over 1,500 business processes, and conducted NPS accompanying surveys by deploying 65 scenarios. It deepened the coordination among five online platforms, promoted the steady growth in number of customers of "Industrial Steward", "Industrial Living", and other platforms, and established an open and coordinated online ecosystem.
SPD Bank	- The number of mobile banking users exceeded 93 million, with an increase of 6.90% compared to last year; the MAU of the "SPDB Inclusive Finance" app grew steadily. With the collaboration of the "SPDB Mobile Banking" app and "SPDB Inclusive Finance" app, it established the core matrix for online services; - To deepen the digital and intelligent transformation, it invested RMB7.612 billion in IT. It independently developed the "SPD Zhiqi" model matrix and deployed more than 200 AI application scenarios which cover core areas including intelligent marketing, intelligent risk management, intelligent approval. The average daily use of AI had an year-on-year growth of 89%; - SPD Bank upgraded the "SPDB Mobile Banking" app and "SPDB Inclusive Finance" app by optimizing the wealth management, credit services and other core functions, launching intelligent income and expenses analysis, financial diagnosis and other services and upgrading the elderly-friendly functions to improve user operation convenience. Centering on the "Five Major Financial Initiatives" and based on the "SPDB Inclusive Finance" app, it established an one-stop service platform for MSEs and iterated the digital product matrix of "SPD Inclusive Loan", which was linked to the "Sperm Whale" supply chain finance platform to promote online efficient handling of corporate business.
CITIC Bank	- The customer scale of online channels kept growing. The MAU of personal mobile banking reached 18,038,200 and the MAU of the "Mobile Card Space" app reached 19,340,600. Through the coordination of the two apps, the online service matrix was established. The number of corporate customers from online channels reached 1,289,800, with a year-on-year growth of 5.05%. It realized online signing and handling of 70 corporate products. The penetration rate of online services kept rising; - CITIC Bank optimized the online service experience and scenario-based ecosystem by upgrading the functions of the China CITIC Bank APP and the "Mobile Card Space" app, improving the elderly-friendly services, and upgrading the structure of the "Mobile Card Space" app. The "finance +life" scenarios were further developed for personal banking terminals. Over 7,300 merchants were in cooperation for the credit card scenarios, with the amount of online transactions exceeding RMB1.01 trillion. The bank-enterprise cloud direct connect service was launched for corporate banking terminals to connect the business-finance settlement processes of enterprises and improve the online corporate service system.
CEB	- In 2025, the number of registered users of CEB Mobile Banking exceeded 70 million, with MAU listed in tier 3 of joint-stock banks. "CEB Cloud Fee Payment" app showed outstanding performance, serving customers for 3.6 billion person-times in the year. Payment made through the app in the year reached RMB979.2 billion. With 19,700 projects connected to it and 913 platforms in cooperation, the penetration rate of the app to payment scenarios in counties led the industry. - CEB established diversified online scenario-based ecosystems. In terms of personal banking, it built a convenient service system based on the "CEB Cloud Fee Payment" app, which covered diversified payment scenarios including payment for water, electricity, gas, and social insurance. It also launched a version in Tibetan language to meet the needs of special customer groups. In terms of corporate banking, it upgraded the corporate mobile banking app and the corporate Internet banking platform, launched the HarmonyOS version of the corporate mobile banking app, and optimized the Enterprise Administrative Management Service Platform ("Xin Yue Tong") and Sunshine Logistics Express ("Wu Liu Tong"). In 2025, Xin Yue Tong was continuously iterated and upgraded and "Wu Liu Tong" had transaction amount exceeding RMB178 billion, which empowered the development of real economy.
PAB	The number of registered users of Ping An Pocket Bank APP reached 182,232,600, with an increase of 4.7% compared to the end of last year, and the MAU reached 39,954,700. The corporate online services achieved outstanding performance. The number of group customers signed under its digital treasury management platform reached 4,409, with an increase of 48.2% compared to the end of last year. The amount of supply chain finance financing incurred was RMB1,967,879 million, with a year-on-year increase of 23.1%.

AI empowers channel upgrading and technologies reshape the value of outlets

While exploring diversified development of online services, banks also accelerated the transformation of offline outlets. Through enabling the operation of intelligent outlets,

improving the operating efficiency of outlets, optimizing the layout of outlets, and exploring intelligent channels, they comprehensively promoted upgrading of intelligent outlets, enabled targeted optimization of layout, and realized in-depth synergies of online and offline services.

Table 3: Optimization of offline outlet layout and establishment of intelligent channels by banks

Bank	Optimization of offline outlet layout	Establishment of intelligent channels
ICBC	- In 2025, ICBC completed the optimization and adjustment of 474 outlets. It mainly optimized 187 outlets in major cities and opened 141 outlets in counties and townships, which improved county-level coverage of outlets to 87.5%. The matching degree between outlet resources and local social and economic resources kept improving. It also accumulatively built over 9,300 outlets featured by pension finance; - It continuously improved the self-service capability of outlets by boosting the upgrading of intelligent equipment and innovation of services. It introduced the full-function ATMs with remote counter services enabled, established the "intelligent self-service + remote collaboration" dual distribution model, optimized processes like the printing of enterprises' receipts and bank statements, and expanded the business handling scope of intelligent equipment. Meanwhile, it launched the "ICBC cloud outlet services" and realized handling of 98% ordinary businesses through intelligent terminals, which further improved the service efficiency and customer experience of outlets.	- The "Zhi Zhengcheng" digital employees were deeply involved in all channels covering mobile banking, outlets, remote banking and served 1.672 billion customers in the year, with a year-on-year growth of 16.6%. The coverage and availability of digital services across all channels were notably improved; - The "SmartEnjoy+1.0" new version of mobile banking was launched. "GINO (Gong Xiao Zhi)" can cover transfers, wealth management, and other high-frequency scenarios. The number of customers using mobile terminals reached 630 million, with MAU of over 290 million, taking the leading place among peers. The "Remote Processing" integrated services were expanded to 32 outlet businesses in 8 categories and supported video review and remote processing; - The remote banking intelligent platform iterated, with the intelligent distribution rate of 94% and the volume of intelligent calls maintained the first place among peers. The transfer rate of text queries to human workers reduced by 10.9% and the service duration declined by 33 seconds. The collaboration and operating efficiency of all channels were notably improved.
CCB	- CCB continuously optimized its layout of offline outlets and balanced quantity adjustment and structural upgrading, with 248 operating outlets relocated and optimized (including 80 county-level outlets). It set up 32 new operating outlets with resources mainly allocated to counties, among which, 23 outlets are in counties, further improving financial service network in counties; - It expanded outreach of financial services in counties and townships and optimized deployment of self-service channels. In China Mainland, there were 40,401 ATMs and 34,292 smart teller machines in operation, which included 12,775 ATMs in counties. Meanwhile, it continuously promoted the construction of "Yunongtong" service outlets and expanded coverage of rural services. It also boosted the construction of featured outlets, with 1,881 green outlets put into use, about 13,600 outlets equipped with 23 types of commonly used elderly-friendly resources. The number of "Jiayang'an" pension finance featured outlets increased to 511, which balanced green development and the service demand of the elderly people.	- It continuously advanced the building of "Digital CCB". After completing the comprehensive structural transformation of core business systems, it further improved the digital infrastructure. In 2025, the computing power of "CCB Cloud" rose by 12.10%. A full-chain, enterprise-level AI technology system was established. CCB built a full-chain AI technology system covering data, models, computing power, and security. AI-based large models had accumulatively empowered 398 scenario applications, fully covering 6 business areas including channel services, customer operation, product services, operation management, support provision, and risk management. - Remote Intelligent Banking Center realized intelligent services across all channels. AI chat and multi-modal technologies were comprehensively used to continuously improve the smart redirection rate and self-service rate and promote the popularization of "one-stop" or "one-click" services. CCB promoted the integrated online and offline service model to retail and inclusive customers to realize instant cross-channel handling of high-frequency businesses and significantly improve service efficiency and customer experience.

Bank	Optimization of offline outlet layout	Establishment of intelligent channels
ABC	- ABC focused on the financial markets in counties and townships and increased planning of outlets in counties to continuously expand the coverage of its financial services. The coverage of its outlets in counties reached 100%, leaving no dead space for financial services in counties. Meanwhile, it strengthened support to services in counties by increasing staff allocation for “three rural issues” in counties and giving remuneration support. It also improved the appraisal and incentive mechanism to guide employees to enhance the quality and efficiency of rural revitalization. While expanding the outreach of rural services, it improved its offline service network; - It boosted quality improvement and model innovation of services provided by outlets. Deepening the implementation of the ABC Considerate Service Project, it established a total of 3,300 elderly-friendly service demonstration outlets. The “six-in-one” comprehensive service channel linking online and offline services provided through “physical outlets + ATMs + mobile banking + Huinong service stations + mobile service vehicles + remote banking” was enhanced to promote the transformation of offline outlets into ones providing comprehensive services.	- ABC further advanced the smart banking construction and established the “AI+” capability system to boost the large-scale and inclusive application of AI. It launched new digital and intelligent products like “Drone Operator Loan” “Government Guaranteed E-loan”, and “Technology Quick Loan” to increase support to “three rural issues” and inclusive finance; - Leveraging large models and other new technologies, it deepened the application of generative AI in smart customer-service agents and promoted functions like knowledge accompany and intelligent form filling.
BOC	- BOC mainly enhanced layout of financial services for counties and townships. It continuously strengthened financial support to key assisted counties, optimized configuration of institutions in counties. In counties of some areas, full coverage of financial services was realized. It also established over 1,600 outlets dedicated to rural revitalization, to focus on the service demands of “three rural issues”, improve the financial service network in rural areas, and improve the availability of financial services for counties and townships. - In 2025, BOC continuously optimized layout of offline outlets by implementing the dynamic adjustment strategy and focusing on structural optimization and efficiency improvement. As at the end of 2025, it had 10,254 commercial banking institutions in the Chinese mainland (including the head office, tier-1 branches, direct branches, tier-2 branches and outlets), with a decrease of 24 compared to the end of last year. By closing redundant outlets and optimizing resource allocation, it realized better matching between outlet layout and regional economic development.	- It fully implemented the “AI+” initiative by formulating the “AI+” Development Plan, establishing the BOCAI large model platform, and deploying more than 10 mainstream large models such as DeepSeek and Qwen3 to form a matrix. It created more than 400 intelligent assistants to realize “three coverages” and empower areas including credit, marketing, operations, customer service, and risk management. The enterprise-level robotic process automation (RPA) was deployed in over 3,600 scenarios and had executed an average of nearly 300,000 tasks per month. The AI bill and certificate recognition function applied to more than 270 types of bills and certificates, with an average daily volume of 1.5 million requests; - It completed historically largest batch of project implementation, with 40 technological and strategic projects in progress and a 13.4% year-on-year decline in delivery period. The total number of cloud platform servers reached 51,000. The distributed technology, big data, blockchain and other technology platforms supported business in an all-round manner. It also completed the “Bring in Every Single Grain” project and integrated a total of 94,000 data sheets into the Group's data lake, achieving full coverage of valid data across the head office and branches.

Bank	Optimization of offline outlet layout	Establishment of intelligent channels
PSBC	- PSBC held fast to the core positioning of “extensive and in-depth coverage across urban and rural areas” for its outlets. It adopted a dynamic mechanism of “establishing, relocating, renovating, and removing” for offline outlet adjustment, constantly optimized its network layout and improved resource allocation efficiency. As at the end of 2025, it had 7,420 self-operated outlets, a decrease of 209 compared to the end of last year, including 7,420 directly-operated outlets and 31,595 agency outlets. By closing outlets with overlapping coverage or constrained development potential and increasing new outlets in key areas, it realized fine matching between outlet layout and regional development demands; - It focused on optimizing the outlet layout in key areas. It actively seized opportunities arising from urbanization and industrial development, and established 76 new outlets in key areas, including China's top 100 counties and top 1,000 towns by economic strength, key assisted counties for rural revitalization at the provincial level or above, as well as various new cities, districts, and industrial parks nationwide.	- Centering on the “AI2ALL” digital ecosystem, it planned more than 260 large model scenarios and established an AI innovation team with more than 1,000 people to realize full-chain coverage for the front, middle, and back offices. It established the “You Zhi” large model and a unified AI platform to support training with hundreds of billions of parameters. The efficiency of smart report generation for provincial-level agents improved by 90% and the duration for quotation of complex transactions reduced from 20 minutes to 22 seconds. The “future-oriented” credit review technology has been used in credit approval for 21,600 customers (+31%) with an approved amount of RMB6.31 trillion (+73%); - With the support of nearly 40,000 outlets, it promoted the “Initiative of Outlet Efficiency Enhancement” and built the “smart equipment + digital employees + cloud teller” human-machine integrated service system. Nearly 10,000 self-service devices were equipped with “digital human” to assist review, which covered more than 90 high-frequency businesses and improved human work efficiency by 40%. It transformed pilot outlets by categories, strengthened layout of elderly-friendly and smart terminals, and promoted their transformation from transaction cost centers to valuable front for customer acquisition.
BOCOM	- BOCOM's outlet layout reflected distinct regional differentiation, with focus turning to regions with active economy. The number of outlets in the Yangtze River Delta and Pearl River Delta increased, while that in Circum-Bohai Sea Region and Northeast China reduced; - It enhanced construction of outlets in counties and promoted the “BOCOM On-cloud” remote video services to improve the integrated financial service capacities of online and offline channels in counties.	- It comprehensively started the “AI+” Action Plan (2025-2027), built a thousand-GPU heterogeneous computing power cluster and a hundred-billion-level large model algorithm matrix, and upgraded the unified training and inference platform. The scale of intelligent computing had a year-on-year growth of over 50%. It deployed more than 2,500 intelligent agents and assistants, covering retail, inclusive finance, risk management, operation, customer services, and other scenarios. The business processes were reshaped by AI, with the volume of businesses approved by counters reducing by over 60% and the efficiency of international settlement improving by over 20%; - It completed the transformation of domestic core systems to the distributed structure and obtained the highest certification under the Financial Digital Maturity Model (FDMM). It established a corporate-level knowledge platform and an intelligent agent platform to support group-wide applications based on “Model as a Service”. It deeply participated in the multilateral central bank digital currency bridge, with trading activity level among the highest in the market.
CMB	CMB adhered to the “light, intelligent, and featured” principle to conduct refined and dynamic adjustments to offline outlets. As at the end of the year, it had 1,836 domestic licensed outlets, a decrease of 6 compared to last year, and it closed 15 remote credit card service outlets with low efficiency. It increased layout of outlets in core areas, with 3 and 2 outlets opened in the Yangtze River Delta and the Guangdong-Hong Kong-Macao Greater Bay Area. It also increased 8 county-level subbranches. It boosted intelligent and elderly-friendly transformation of outlets and built featured outlets to improve service efficiency.	It stuck to the “AI First” strategy and continuously increased investment in technologies and computing power, with investment of RMB12.901 billion in IT, 183 specialized and refined domain-specific models being adopted, and 856 scenario-based AI applications being deployed. Both the intelligent computing capacity and the model iteration efficiency were significantly improved. Work of digital employees and process intelligentization replaced over 15.56 million man hours and comprehensively empowered retail, corporate business, risk management, operation, and other lines.

Bank	Optimization of offline outlet layout	Establishment of intelligent channels
CIB	CIB promoted optimization and upgrading of offline outlets by sticking to the direction of “intelligent, small, premium, and community-based outlets”, and optimized the outlet layout and service efficiency. As at the end of the year, it had 2,091 domestic outlets. Meanwhile, it advanced the V3.0 standardization of its outlets, completed the relocation and upgrading of some outlets. The location of new and renovated outlets considered the layout in core areas and communities. It also improved the elderly-friendly and intelligent facilities and promoted the transformation of outlets into service-oriented and green outlets.	It comprehensively carried out the “AI+” initiative and accelerated the transformation from “Digital Industrial Bank” to “Intelligent Industrial Bank”. The IT investment for the year reached RMB7.614 billion, making up 3.58% of revenue. The number of technical personnel reached 8,245, making up 13.88% of headcount. By launching more than 200 intelligent agents that cover over 260 application scenarios, it reduced the average delivery period of IT projects by 33%. It also optimized over 1,500 business processes, and empowered the whole chain (including risk management, operation and customer services) with AI.
SPD Bank	- SPD Bank continuously optimized the layout of offline outlets and implemented the dynamic adjustment strategy with “increases or decreases” in different locations. In the year, the number of outlets decreased by 34 compared to last year. It also improved layout in core areas and featured areas, such as increasing tier-2 branches (like Fuzhou Branch) and subordinate subbranches, to further improve regional service network. Meanwhile, it devoted itself to the service cycle within 3km from outlets and established 10 ecosystem-based featured subbranches to promote the transformation of outlets from traditional transaction type to “finance + life” comprehensive service type; - It further promoted featured development service quality improvement of outlets and mainly increased the number of technology-featured subbranches to 510. A Fintech service network covering key areas nationwide was established to meet the demands of sci-tech enterprises throughout their lifecycle. Meanwhile, it promoted the elderly-friendly and green renovation of outlets by setting up demonstration windows for elderly-friendly services, preparing elderly-assistance facilities and providing door-to-door services. It has established 3 carbon neutral outlets, which combined standard services with intelligent upgrading to improve service efficiency and customer experience of outlets.	- Focusing on the “digitalization and intelligentization” strategy, it comprehensively boosted the “AI+” transformation. It accumulatively invested over RMB21.7 billion in technologies in three years and has established the thousand-GPU intelligent computing cluster and the “SPD Zhiqi” model matrix, completed local deployment of 30 large models, and implemented over 200 AI application scenarios. With the establishment of the head office’s AI center, the one-billion-character enterprise-level knowledge base, and over 2,000 intelligent agents, it realized full-chain empowerment covering intelligent risk management, marketing, and operation and promoted the transformation of service model from “human-based defense” to “intelligent control”; - In terms of channels, SPD Bank upgraded the “SPDB Mobile Banking” app and “SPDB Inclusive Finance” app and provided one-stop intelligent financing to MSEs with the “five core” service system. It promoted full coverage of VTM remote intelligent banking in offline outlets, with continuous lifting business replacement rate. Based on the five super digital products like SPD Flash Loan, SPD Technology Loan, and SPD Chain Connect, it established an intelligent service ecosystem realizing online and offline integration and man-machine collaboration.
CITIC Bank	CITIC Bank continuously optimized the layout of offline outlets. Through dynamic adjustments including relocation and quality improvement, it enhanced the regional service network and lifted the overall service level. Meanwhile, it boosted the transformation of outlets into featured, elderly-friendly, and intelligent ones and realized full coverage of elderly-friendly renovation for outlets. By arranging elderly-friendly service facilities and dedicated teams and creating elderly-friendly service scenarios, it further improved the service efficiency and sincerity of outlets and met the needs of regional development and demands of customer groups.	- Based on the unified AI middle office and GPU computing cluster, it established a coordinated system integrating “large models + small models”. The monthly use of small models was nearly 500 million times and the daily peak for the use of large models reached 3 million times. Over 1,700 intelligent scenarios were deployed to comprehensively empower risk control, operation, and customer services. Meanwhile, its largest corporate business system cluster “Galaxy” was put into use, which reshaped the full process of corporate credit extension. The “Xiao Tianyuan” platform provided in-depth services for transaction settlements, with an increase of 16.30% and 9.86% in transaction volume and amount, respectively; - It connected 17 channels covering mobile banking, Internet banking, and remote banking through the “Swan platform” and realized full-channel coordination and integrated operation. Through full coverage of VTM and intelligent counters for offline outlets, it boosted dual improvement in business replacement rate and service efficiency, and formed an intelligent service ecosystem featured by online and offline integration and man-machine coordination.

Bank	Optimization of offline outlet layout	Establishment of intelligent channels
CEB	CEB implemented dynamic adjustments to domestic outlets, focusing on structural optimization and efficiency improvement, with the number of domestic branch institutions reaching 1,330. Meanwhile, it boosted construction of elderly-friendly and featured outlets, equipped all the operating outlets with accessibility facilities, and built service scenarios for pension finance. By optimizing functional layout of outlets and improving regional service network, it realized accurate matching between outlet resources and regional development needs and improved service quality and efficiency of offline services.	- It accelerated the “AI+” transformation, continuously improved the intelligent computing power, and established an intelligent assistant matrix based on large models, which were used on a large scale in scenarios including work of customer managers, credit approval, and operating risk management. Meanwhile, it deepened the use of “AI+RPA” automated processes and accumulatively deployed over 1,700 automated scenarios, which significantly improved the review and operating efficiency of corporate inclusive and retail business; - It took the three main apps (CEB Mobile Banking, Sunshine Life and Cloud Fee Payment) as the core online channels, upgraded the wealth management and elderly-friendly services for mobile banking, and solidified the leading position of Cloud Fee Payment in the industry.
PAB	PAB implemented dynamic adjustments to the outlets, focusing on quality and efficiency improvement and regional matching. As at the end of 2025, it has established 110 branches and 1,108 operating outlets in Chinese mainland, with a year-on-year decrease of 3.6% in the number of outlets. Meanwhile, it boosted the intelligent construction of outlets, rationally allocated outlet resources, closed low-efficiency outlets, and optimized regional distribution to realize fine matching among outlet layout, business development, and regional demands, and improve the quality and efficiency of offline services.	It accelerated the full-process integration of AI and businesses and deployed over 390 large model-based scenarios. The R&D duration of intelligent agents reduced by over 60%. With the establishment of the unified computing power platform, the utilization rate of GPU rose by 16 percentage points. The distributed core system was successfully put into production, achieving full-stack localization. AI deeply empowered its risk management, operation, and marketing, with the replacement rate of intelligent customer service exceeding 80%, a decrease of RMB60 million for spending on AIGC marketing platforms, and an accuracy rate exceeding 93% on intelligent review of cross-border documents.

Policies continue to inspire consumer demand, driving steady growth in consumer loan volumes, while intelligent risk control leads to improved asset quality and efficiency

Commercial banks are actively expanding into consumer finance, highlighting a trend of scale expansion and diverging growth rates

In 2025, along with the continuous implementation of national consumption promotion policies such as the *Special Action Plan for Boosting Consumption* and the *Implementation Plan for Fiscal Interest Subsidy Policy for Personal Consumer Loans*, commercial banks actively responded to the consumption expansion strategy by vigorously developing consumer finance. This not only represents a key direction for their business transformation but also serves as a critical lever for supporting the real economy and stimulating household consumption. Among the 12 major commercial banks in China, consumer loan data was separately disclosed in the annual reports of 11 banks, with the exception of BOC. The total balance of consumer loans of these 11 banks reached RMB4,488.563 billion in 2025, an increase of RMB443.075 billion compared to 2024, representing an 11% year-on-year growth, lower

than the previous year’s growth rate of 21%. In terms of the balance of consumer loans at the end of 2025, among major state-owned banks, CCB held the largest share at RMB683.174 billion, followed by PSBC with RMB642.705 billion. Among joint-stock banks, PAB ranked first with consumer loans of RMB463.017 billion, followed by CMB with the amount of RMB426.653 billion.

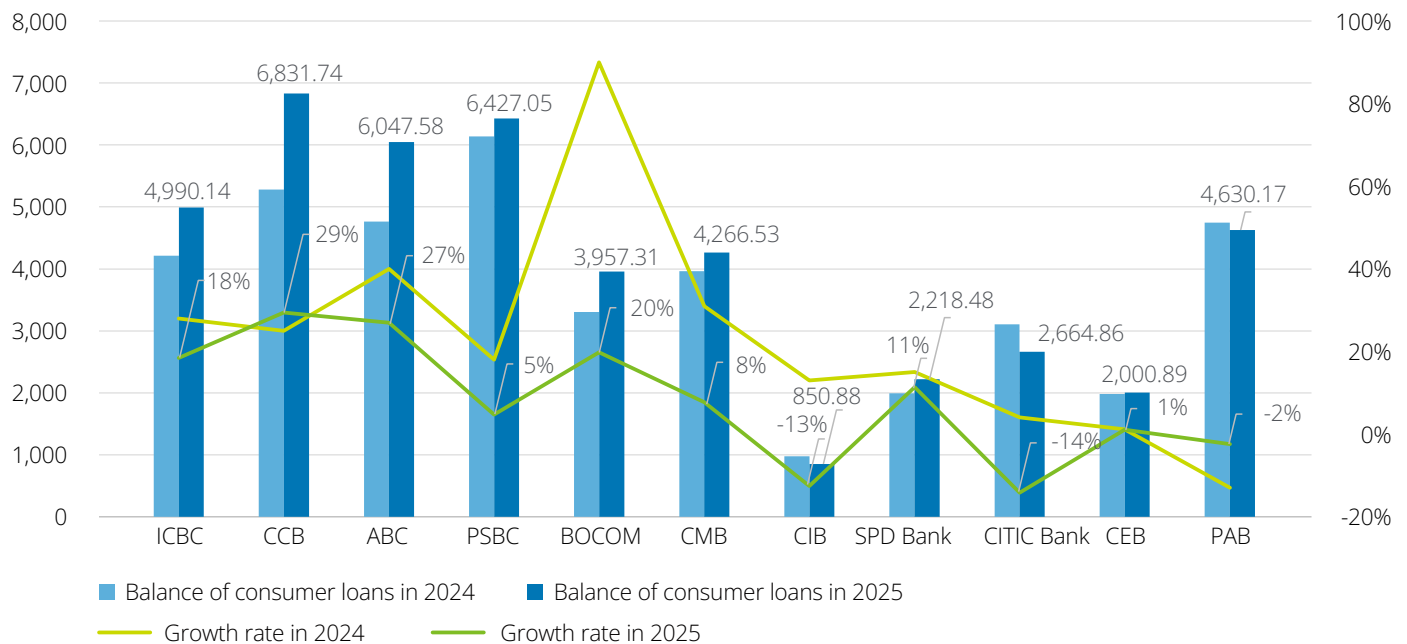
In terms of growth rate, in 2025, banks became more cautious in releasing consumer loans, with generally strengthened risk management and focuses on high-quality customers, leading to significant divergence in growth rates across the industry. While the growth rates of major state-owned banks remained higher than those of joint-stock banks, there was a general decline compared to 2024. CCB was the most outstanding one, with a year-on-year increase of 29% in the balance of consumer loans. Among joint-stock banks, multiple institutions have proactively reduced the scale of consumer loans to optimize asset

structure, resulting in a notable slowdown in overall growth. SPD Bank achieved the highest increase of 11% among joint-stock banks, primarily driven by a three-pronged strategy involving product efficiency improvements, expansion into new business scenarios, and policy-driven incentives to

ensure steady scale growth. PAB's balance of consumer loans has declined for three consecutive years, mainly due to its proactive adjustment to its credit structure, reduction of high-risk assets, and emphasis on stable development with controllable risks.

Figure 5: Analysis of balances of consumer loans

Unit: RMB100 million



Note: BOC didn't separately disclose data related to balance of consumer loans. PSBC's balance of consumer loans was that of other personal consumer loans disclosed in the annual report.

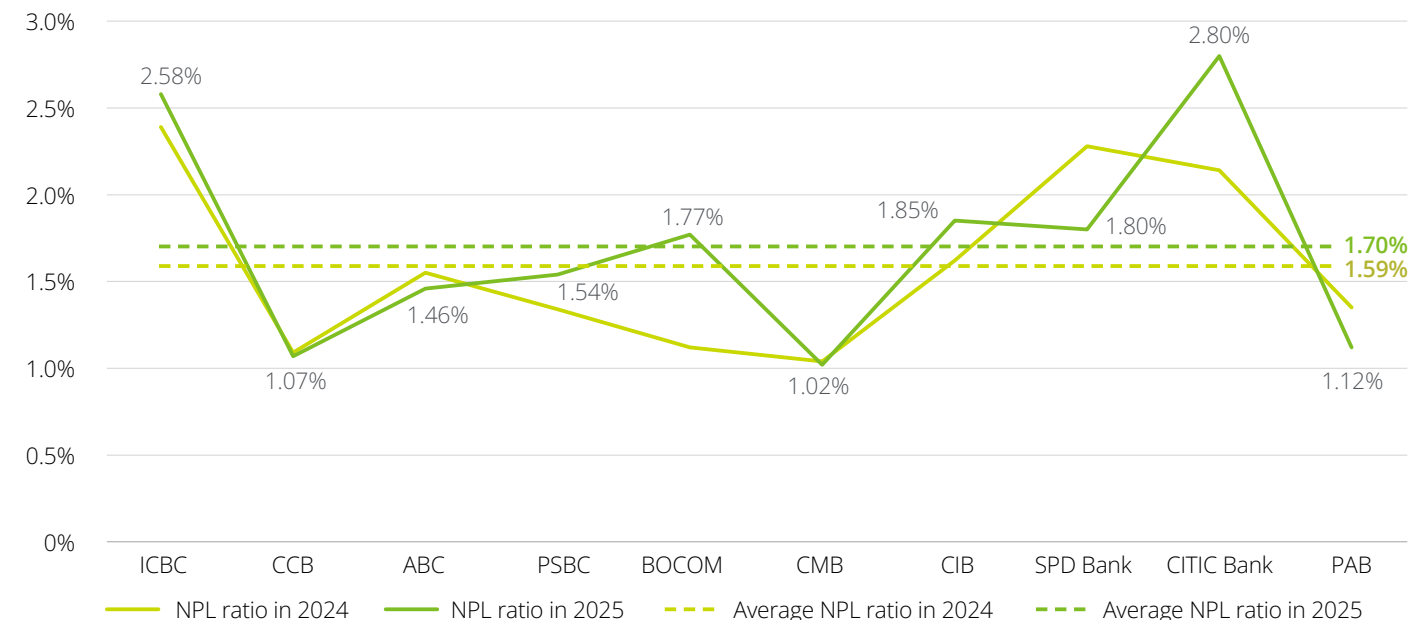
Under pressure on interest rate spreads, the value of consumer loans becomes prominent, while AI-powered full-process risk management drives steady business development

In an industry environment where interest rate spreads continue to narrow, high-yield consumer loans remain a key driver of profit growth for commercial banks. As competition in the consumer loan market intensifies, the alignment between evolving customer structures and banks' risk-based pricing capabilities directly affects the asset quality and profitability stability of retail businesses. During this period of growth opportunity, the consumer loan business requires higher risk management and control capabilities of banks.

The average NPL ratio of personal consumer loans for 10 major commercial banks in 2025 was 1.70%, an increase of 0.11 percentage points compared to the end of last year. However, if factors such as write-offs and bulk disposal

activities are further considered, the actual risk situation of consumer loans may show an upward trend. For these commercial banks, the asset quality of personal consumer loans exhibited significant divergence. The NPL ratios of consumer loans from ICBC, PSBC, BOCOM, CIB, and CITIC Bank rose year-on-year. Among them, CITIC Bank saw the largest increase, with its NPL ratio reaching 2.80% in 2025, up by 0.66 percentage points from 2.14% in 2024. BOCOM and CIB recorded increases of 0.65 and 0.23 percentage points, respectively, while ICBC and PSBC saw modest increases of 0.19 and 0.20 percentage points, respectively. On the other hand, the NPL ratios of CCB, ABC, CMB, SPD Bank, and PAB declined year-on-year. SPD Bank saw the largest decline, with its NPL ratio decreasing by 0.48 percentage points to 1.80% in 2025 from 2.28% in 2024. PAB and ABC saw decreases of 0.23 and 0.09 percentage points, respectively, while both CCB and CMB experienced slight declines of approximately 0.02 percentage points.

Figure 6: Analysis of NPL ratio of consumer loans



Note: BOC and CEB didn't separately disclose data related to NPL ratio of consumer loans

With the growth of consumer loan scale and innovation in consumption scenarios, in 2025, banks positioned AI technology as a core strategic focus, continuously increasing investment in AI for risk management system development. They leveraged Fintech such as large models, deep learning, and knowledge graphs to comprehensively enhance intelligent risk management capabilities and promote the establishment of an AI-driven ecosystem for consumer loan development. At the front end, AI was used to build precise and dynamic customer risk profiles, enabling customer segmentation and product portfolio redesign. At the mid-end, AI-powered risk models combined with access to multi-source data enabled real-time dynamic early warnings for high-risk customers. At the back end, AI empowered disposal of non-performing assets to explore diversified disposal models, achieving a two-way improvement in risk prevention and business growth.

For example, in front-end and mid-end risk management, ICBC used its “ICBC Zhiyong” large model to continuously strengthen front-end access and review/approval management for retail customers. By introducing the data query function for public services, ICBC used AI to cross-verify data authenticity across more than 300 risk control scenarios, promoting a transformation of risk management

from “human-based defense” to “technology-based defense”. CCB built an enterprise-level hybrid large model system, introducing mainstream models such as DeepSeek and integrating over 60 types of data sources and 500 million vector data entries. It developed a “Full-Process AI Application for Credit Approval”, which can generate draft review opinions covering five major modules and more than ten pages within one minute, improving approval efficiency by over 30%. PSBC established an AI-powered anti-fraud graph intelligence system. With the help of AI risk models, it can dynamically assess the risk status of existing customers and process 127 million transactions daily. The system can provide timely and precise early warnings about high-risk customers and support the construction of a dynamic credit limit management system covering limit adjustments, account freezes, customer removals, risk mitigation and other functions. In six months, it intercepted over 100,000 fraudulent transactions and protected more than RMB 800 million in funds. CMB continued its “AI First” strategy. Relying on 856 AI application scenarios and through AI models, it focused on customers with good credit records and stable income sources, accurately identified co-debt risks and ensured reasonable credit extension. In one year, AI replaced 15.56 million human work hours, achieving a co-debt identification accuracy rate of over 95%. SPD Bank

has independently developed the “SPD Zhiqi” large model matrix. Relying on the 1,000-GPU computing cluster, it deployed over 200 AI application scenarios. At the front end, AI enabled dynamic customer segmentation and accurate identification of risks such as “using new loans to repay old ones” and “multi-lender co-debt”. At the mid-end, it established the “SPD Intelligent Risk Control” large model, which monitors customers’ repayment capacity, public sentiment, and other multi-dimensional information 24/7, with a 92% accuracy rate in risk warnings. It reduced non-performing loan generation by 28% year-on-year, and effectively lowered the NPL ratio of consumer loans by 0.48 percentage points year-on-year to 1.80%.

At the back end, disposal methods of non-performing assets (NPA) also had become a key area for banks to explore with AI in 2025. The application of AI technology has significantly improved the efficiency of NPA disposal and expanded disposal channels. CCB fully used AI empowerment in asset securitization. It utilized AI in the valuation and pricing of NPA from personal loans, which increased the recovery rate of assets in the securitization pool by 12%, continuously enhancing the efficiency of NPA securitization. In 2025, CCB issued multiple asset-backed securities backed by NPA from personal consumer loans, with a principal of over RMB 2 billion included in the pool. Additionally, through AI-powered intelligent collection, CCB achieved an M1 recovery rate above 85%, contact success rate over 70%, and 100% compliance rate. BOC continuously broadened its disposal channels. Through AI-powered asset valuation and classification, it advanced pilot programs for NPL transfers and launched NPA securitization programs for credit cards and personal loans. Meanwhile, SPD Bank intensified its market-oriented disposal efforts by building an intelligent collection matrix powered by AI. Through AI-driven case allocation, multi-channel coordination, and compliance-focused script delivery, SPD Bank actively explored wider disposal channels and further optimized its asset quality.

Since 2026, China has continued its consumption-stimulating orientation while strengthening the compliance supervision of consumer loans, establishing a policy tone of “encouraging compliant lending and strictly controlling disorderly expansion”. The Ministry of Finance, the National Financial Regulatory Administration, and other departments have extended the fiscal interest subsidy policy for personal consumer loans to the end of 2026 and expanded the coverage of subsidies to encourage financial institutions

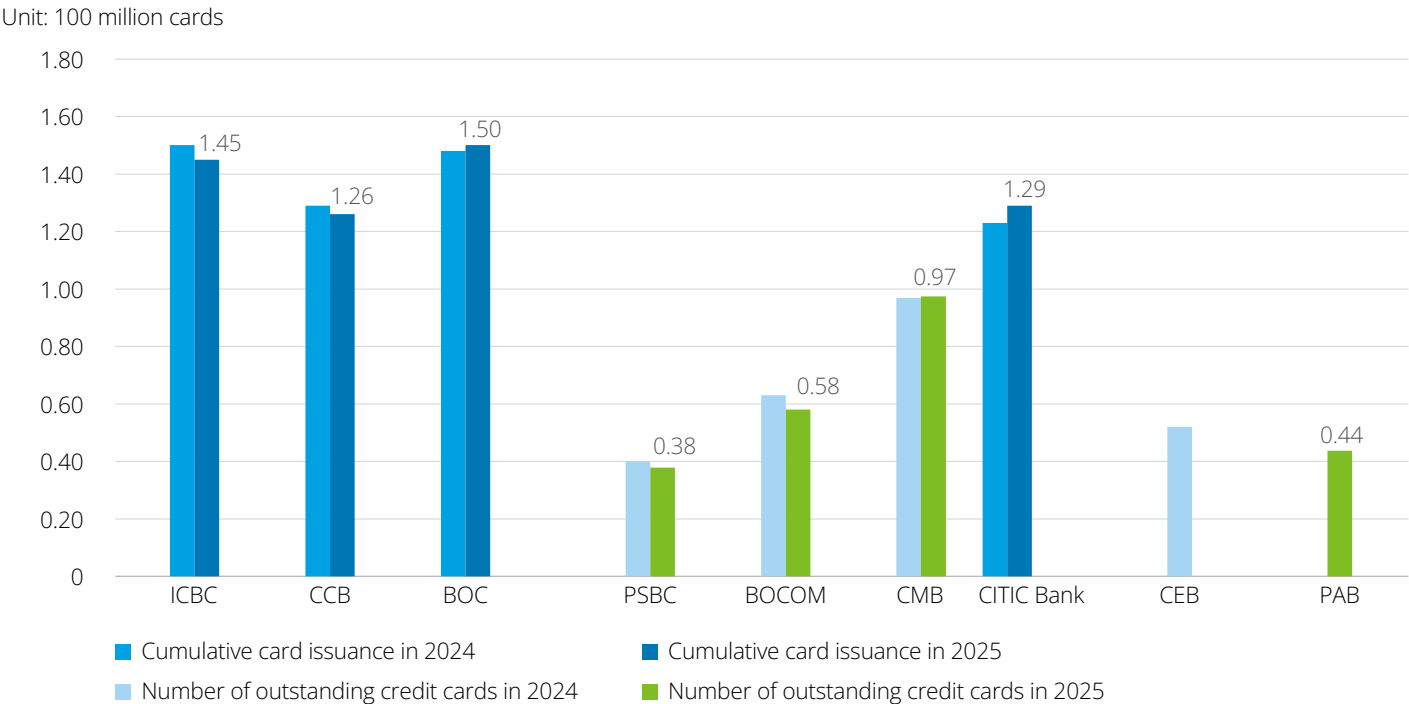
to increase release of reasonable consumer loans. At the same time, regulators issued new regulations requiring full disclosure of the comprehensive financing costs for consumer loans, prohibiting hidden fees, excessive pricing, and non-compliant debt collection practices, and cracking down severely on misconduct such as excessive credit extension and co-debt risks. Overall, while encouraging responsible lending, the policies have set higher compliance standards for institutions, to promote standardized and healthy development of consumer credit businesses.

Credit card business has entered a phase of optimizing existing market share, with scale contraction highlighting a strategic shift toward quality enhancement

Following a period of rapid growth, the credit card market has comprehensively entered into a deep transformation stage characterized by competition within existing market share and structural optimization. The industry’s logic has fundamentally shifted from “scale expansion” to “quality-first development”. In 2025, against the backdrop of upgraded household consumption patterns and continuously standardized regulation, commercial banks are generally focusing on “reducing inactive cards, targeting active customer groups, and strengthening AI-powered risk management” to advance refined operations of the credit card business. Through the construction of a scenario-based ecosystem, customer segmentation, and full-process intelligent risk management, banks aim to overcome growth bottlenecks and achieve sustainable development of the credit card businesses.

Listed commercial banks disclose credit card issuance data in their annual reports in two ways: one is cumulative card issuance, and the other is the number of outstanding credit cards at the end of the year. In terms of cumulative card issuance, as at the end of 2025, BOC ranked first among disclosing banks with 150 million cards issued; ICBC and CCB reported cumulative card issuance of 145 million and 126 million cards respectively, with a slight decline compared to the end of 2024. Regarding the number of outstanding credit cards, CMB continued to lead the industry with 97 million outstanding cards, maintaining the same scale as at the end of 2024 and demonstrating industry-leading stability in its existing customer base; BOCOM and PSBC reported 58 million and 38 million outstanding credit cards respectively, both experiencing a slight decrease compared to the end of 2024.

Figure 7: Comparison of banks in cumulative card issuance and the number of outstanding credit cards



Note 1: ABC, CIB, and SPD Bank didn't disclose information of credit card issuance in 2025 and 2024.

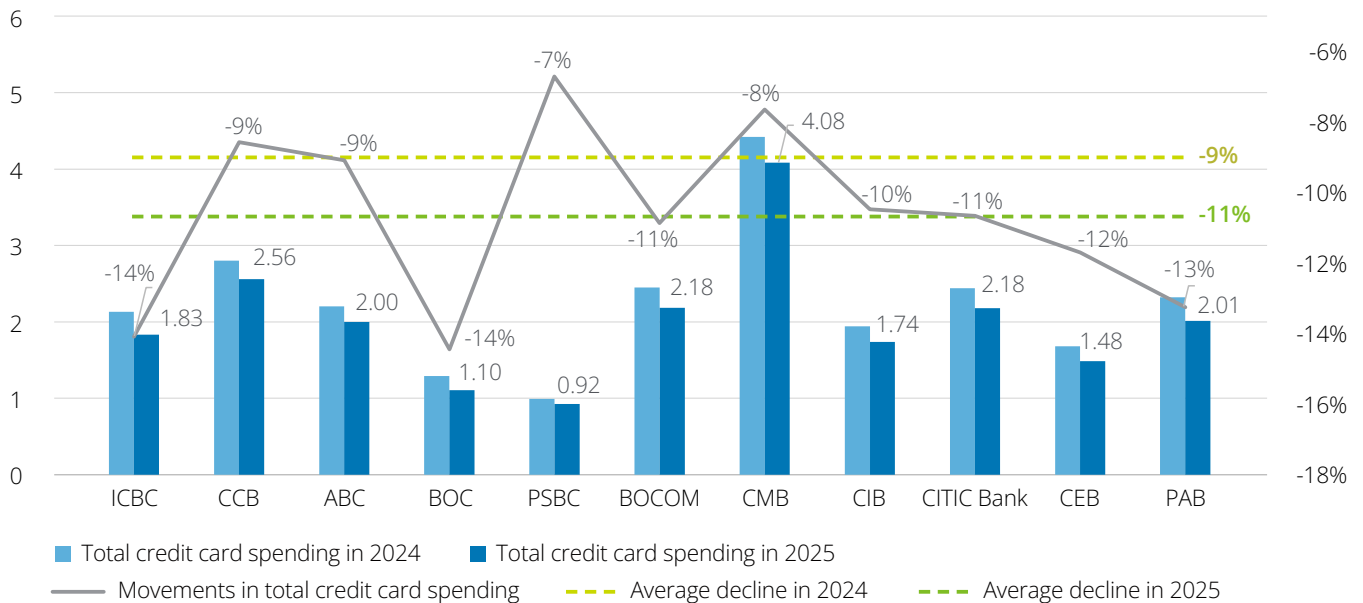
Note 2: ICBC, CCB, BOC, and CITIC Bank disclosed the cumulative card issuance of credit cards, while PSBC, BOCOM, CMB, CEB, and PAB disclosed the number of outstanding credit cards. PAB didn't disclose its number of outstanding credit cards for 2024, and CEB didn't disclose this figure for 2025.

The total credit card spending in 2025 disclosed by 11 listed banks showed a downward trend. CMB maintained its leading position in the industry with a credit card transaction volume of RMB 4.08 trillion, down 7.65% year-on-year. Among the six major state-owned banks, CCB recorded the highest credit card spending in 2025 at RMB

2.56 trillion, a decrease of 8.57% year-on-year, followed by BOCOM with RMB 2.18 trillion, a decrease of 10.87% year-on-year. Among joint-stock banks, PAB and CEB saw relatively larger year-on-year declines in credit card spending in 2025, with a decline of 13.26% and 11.70%, respectively.

Figure 8: Comparison of banks in total credit card spending

Unit: RMB1 trillion



Note 1: SPD Bank didn't disclose total credit card spending.

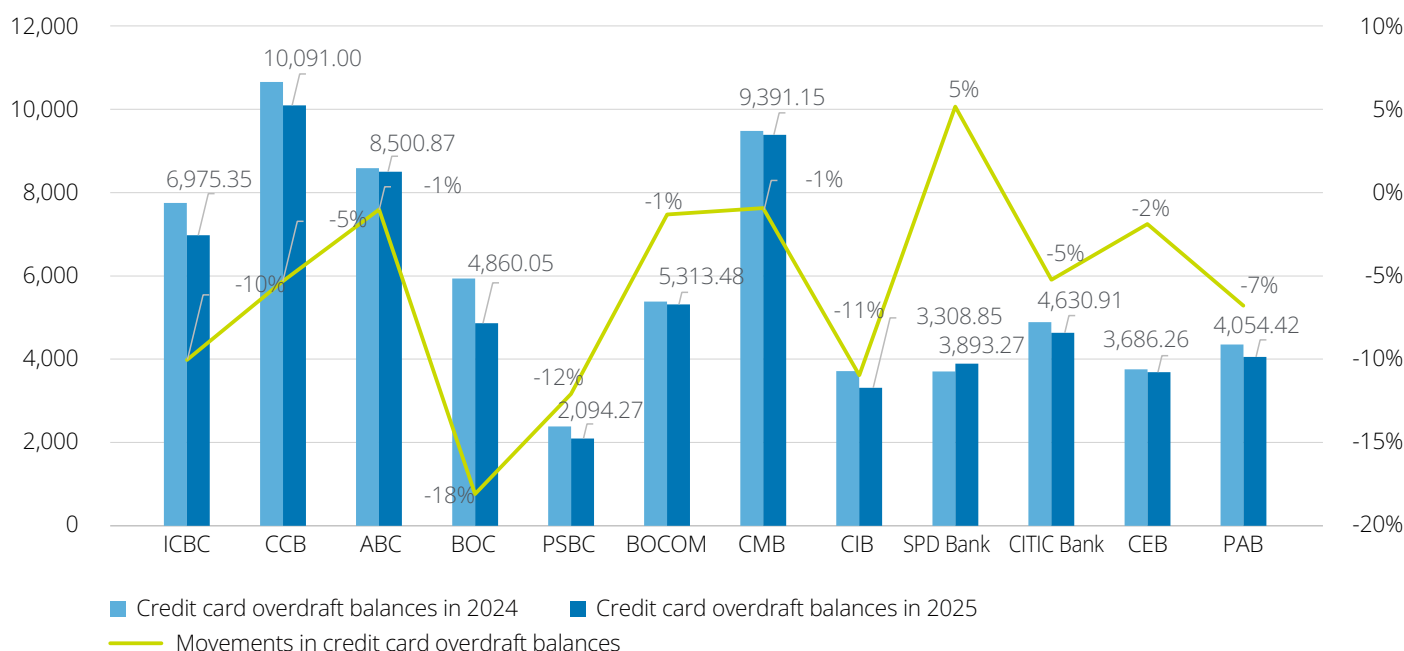
Note 2: ABC disclosed total credit card spending of over RMB2 trillion in 2025. The number of RMB2 trillion was used for analysis in this figure.

In terms of credit card overdraft balances, the overall trend is declining. CCB and CMB rank first among major state-owned banks and joint-stock banks, respectively. At the end of 2025, CCB's credit card overdraft balance was RMB1.00 trillion, a decrease of 5.33% compared to the end of 2024. CMB's overdraft balance was RMB939.115 billion, a decrease of 0.92%. BOC and PSBC saw relatively significant declines in credit card overdraft balances in 2025, with a decrease of 18.10% and 12.09% respectively compared to the end of last year. Meanwhile, CIB, ICBC, PAB, and CITIC Bank also

experienced declines of 10.97%, 10.04%, 6.79%, and 5.24% respectively. At the end of 2025, SPD Bank's credit card overdraft balance reached RMB389.327 billion, an increase of 5.16% compared to the end of last year. Overall, in 2025, the total credit card spending of these 12 commercial banks declined, and except for SPD Bank, all banks saw a reduction in overdraft balances, reflecting a shift of the industry from scale expansion toward stricter risk control and optimization of existing market share.

Figure 9: Comparison of banks in credit card overdraft balances

Unit: RMB100 million



Driven by residents' escalating wealth demands, commercial banks focused on wealth management to consolidate the foundation of retail business

Since the Third Plenary Session of the 20th CPC Central Committee, the goal of common prosperity has been continuously deepened and implemented. Residents' wealth accumulation and asset allocation demands have steadily escalated, making wealth management play a more prominent role in optimizing income distribution, increasing residents' property income and serving the real economy. With the conclusion of the transition period for the new asset management regulations, the continuous refinement of long-term regulatory mechanisms, the steady progress of outstanding rectification work, and residents' growing financial awareness and diversified allocation demands, wealth management has become the core focus of commercial banks' transformation and upgrading of their retail businesses. Banks are continuously making efforts in private banking and the full-spectrum wealth management businesses, with industry competition shifting from a race for scale to a focus on specialization, ecologicalization and differentiation. Centered on the comprehensive demands of high-net-worth customers in wealth preservation,

intergenerational inheritance, cross-border allocation and premium services, commercial banks are continuously improving their strategic layouts, strengthening product innovation, digital empowerment and professional investment advisory capabilities, and promoting the private banking business to a refined, distinctive and high-quality development stage.

Under the business philosophy of wealth management, major state-owned banks are in a leading position regarding the scale of assets under management (AUM) from retail customers, maintaining a relatively high growth rate in total AUM. As at the end of 2025, ICBC's AUM from retail customers totaled RMB25.37 trillion, maintaining the leading position among its peers; ABC trailed closely behind, with AUM from retail customers totaling RMB24.68 trillion. In terms of growth rate, CCB's AUM from retail customers increased most by 11.70% year-on-year to RMB23.01 trillion, followed by BOC's 11.10% to RMB17.58 trillion.

Joint-stock banks are actively seeking new drivers for business growth. Wealth management is critical to spurring their retail growth sustainability. In 2025, multiple joint-stock banks' wealth management businesses continued to grow. Specifically, CMB's AUM from retail customers reached RMB17.08 trillion, maintaining the leading position among joint-stock banks, representing a year-on-year growth rate of 14.44%; CIB ranked second with the AUM totaling RMB5.86 trillion, representing a year-on-year growth rate of 14.68%, marking a rebound from the growth rates in previous years; CITIC Bank's, SPD Bank's and PAB's AUM from retail customers reached RMB5.36 trillion, RMB4.66 trillion, and RMB4.24 trillion, respectively, with year-on-year growth rates of 14.29%, 20.10% and 1.19%.

The private banking data disclosed in domestic banks' annual reports revealed a pronounced upward trend. In terms of AUM from private banking customers, major state-owned banks and joint-stock banks had their own strategies. Among major state-owned banks, only PSBC and BOCOM disclosed relevant data; the other major state-owned banks did not disclose specific figures, focusing instead on upgrading their business strategies. Among joint-stock banks, CMB did not disclose relevant data; PAB recorded the highest AUM from private banking customers, reaching RMB1.99 trillion, representing a year-on-year growth rate of 0.8%, although the growth rate slowed slightly compared with the previous year. At the end of 2025, BOCOM's AUM from private banking customers reached RMB1.43 trillion, with a year-on-year growth rate of 10.39%; PSBC's AUM from Dingfu customers (a private banking customer group) increased synchronously, with a growth rate of 26.14% in the number of customers.

In terms of the number of private banking customers disclosed in annual reports, CMB firmly held the top spot with 199,300 customers, highlighting its leading position and brand barriers in serving high-net-worth customers. CITIC Bank, BOCOM and PAB all had a private banking customer base of around 100,000, forming a second echelon of similar scale, with a closely contested competitive landscape. CIB, SPD Bank and PSBC had relatively small scales. On the whole, the current echelon distribution of private banking customers was related to each bank's wealth management strategic positioning, brand influence and channel reach capability.

As banks' traditional retail business grows slowly, private banking has become crucial for stabilizing commercial banks' medium- and short-term performance and optimizing their customer structure in the long term, thanks to the stability and high added value of high-net-worth customers' assets. Amid narrowing net interest margins and increasing pressure on retail business growth in commercial banks, private banking has demonstrated relatively high resilience. Meanwhile, major banks are leveraging AI technology to continuously explore the value of high-net-worth customers, enhancing their competitiveness in private banking through capabilities such as intelligent customer insights, precision asset allocation and automated generation of due diligence reports, and driving the transformation of private banking services from "product promotion" to "full-lifecycle wealth management".

Table 4: Data analysis of retail customers and private banking customers

Unit: RMB 1 trillion/10,000 customers

Bank	AUM from retail customers	Growth rate in AUM from retail customers	Personal financial assets under management from private banking customers	YoY growth	Number of private banking customers	YoY growth
ICBC	25.37	11.08%	Not disclosed	Not disclosed	Not disclosed	Not disclosed
CCB	23.01	11.70%	Not disclosed	Not disclosed	Not disclosed	Not disclosed
ABC	24.68	10.67%	Not disclosed	Not disclosed	Not disclosed	Not disclosed
BOC	17.52	11.10%	Not disclosed	Not disclosed	Not disclosed	Not disclosed
PSBC	18.31	9.71%	Not disclosed	Not disclosed	4.31	26.14%
BOCOM	5.98	8.93%	1.43	10.39%	10.51	11.57%
CMB	17.08	14.44%	Not disclosed	Not disclosed	19.93	17.87%
CIB	5.86	14.68%	1.05	9.38%	8.69	12.83%
SPD Bank	4.66	20.10%	0.76	10.14%	5.55	13.27%
CITIC Bank	5.36	14.29%	1.36	16.24%	9.66	14.86%
PAB	4.24	1.19%	1.99	0.80%	10.56	9.10%

Note 1: PSBC and CMB didn't disclose the personal financial assets under management from private banking customers; ICBC, CCB, ABC, and BOC didn't disclose the personal financial assets under management from private banking customers and the number of private banking customers; CEB didn't disclose the AUM from retail customers, the personal financial assets under management from private banking customers, and the number of private banking customers.

Note 2: PSBC defines private banking customers as those with assets of RMB 6 million or more; CMB defines private banking customers as retail customers whose average daily total assets in RMB (fully converted) reach RMB 10 million or more per month; PAB defines private banking customers as those whose average daily assets exceed RMB 6 million in any one of the past three months; SPD Bank defines private banking customers as retail customers with average daily financial assets exceeding RMB 6 million per month; CITIC Bank defines private banking customers as those whose average monthly AUM reaches RMB 6 million or more.



In addition to the AUM from retail customers, the number of customers also reflects a bank's strengths and potential in retail finance and it's the cornerstone in the battle for wealth management leadership.

Table 5: Comparison in the number of retail customers in 2025 and 2024

Unit: 100 million users

Bank	The number of retail customers in 2025	The number of retail customers in 2024	Growth rate
ICBC	7.82	7.66	2.09%
CCB	7.85	7.71	1.82%
ABC	8.96	Over 880 million	1.82%
BOC	Over 550 million	Nearly 540 million	1.85%
PSBC	6.81	6.73	1.19%
BOCOM	2.05	1.99	3.02%
CMB	2.24	2.10	6.67%
CIB	1.15	1.10	4.55%
SPD Bank	1.71	1.57	8.92%
CITIC Bank	1.52	1.45	4.83%
CEB	1.62	1.58	2.53%
PAB	1.28	1.26	1.59%

With a solid customer base, major state-owned banks' numbers of retail customers maintained stable growth in 2025. Specifically, ABC's retail customers reached 896 million, continuing to hold the top spot among its peers, followed by CCB and ICBC, with the number of retail customers reaching 785 million and 782 million respectively. In terms of growth rate, among major state-owned banks, BOCOM's number of retail customers reached 205 million, with a year-on-year growth rate of 3.02%, leading its peers; ICBC recorded a growth rate of 2.09%, while CCB and ABC both recorded a growth rate of around 1.82%,

and PSBC recorded a growth rate of 1.19%, maintaining overall stability. All the joint-stock banks' numbers of retail customers exceeded 100 million, among which CMB recorded the largest number of retail customers, reaching 224 million, continuing to lead joint-stock banks. SPD Bank's number of retail customers reached 171 million, with a year-on-year growth rate of 8.92%, the highest among joint-stock banks; CMB's, CITIC Bank's and CIB's growth rates were 6.67%, 4.83% and 4.55% respectively, with their customers continuing to expand.

Conclusion

In 2025, amid steady macroeconomic recovery, residents' consumption confidence gradually recovered, however, the asset quality of retail business was still facing challenges brought by factors such as the adjustment of the real estate cycle and the high resident leverage ratio. According to the annual reports disclosed by banks in 2025, commercial banks' retail revenue and profits showed a differentiated trend. Some banks achieved resilient growth in retail revenue by optimizing customer structure and focusing on wealth management and consumer finance, while some other banks saw fluctuations in the proportion of retail business due to the impact of narrowing net interest margins and asset impairment provisions. The transformation of retail business still faces challenges, but it remains the core strategy firmly implemented by banks. Facing the transformation pressure, banks are adjusting their retail structure and strategies in light of their own endowments, promoting the application of digital technologies such as AI, and continuously optimizing the balance between risks and returns through capabilities including intelligent customer acquisition, refined operation and full-process intelligent risk control, continuously improving the service quality, efficiency and anti-cyclical capability of retail business, and further strengthening their confidence in retail transformation.

3

Compliance as Foundation, Investment Research as Core, and Value as Engine: Bank Wealth Management Ushers in a New Journey of High-Quality Development

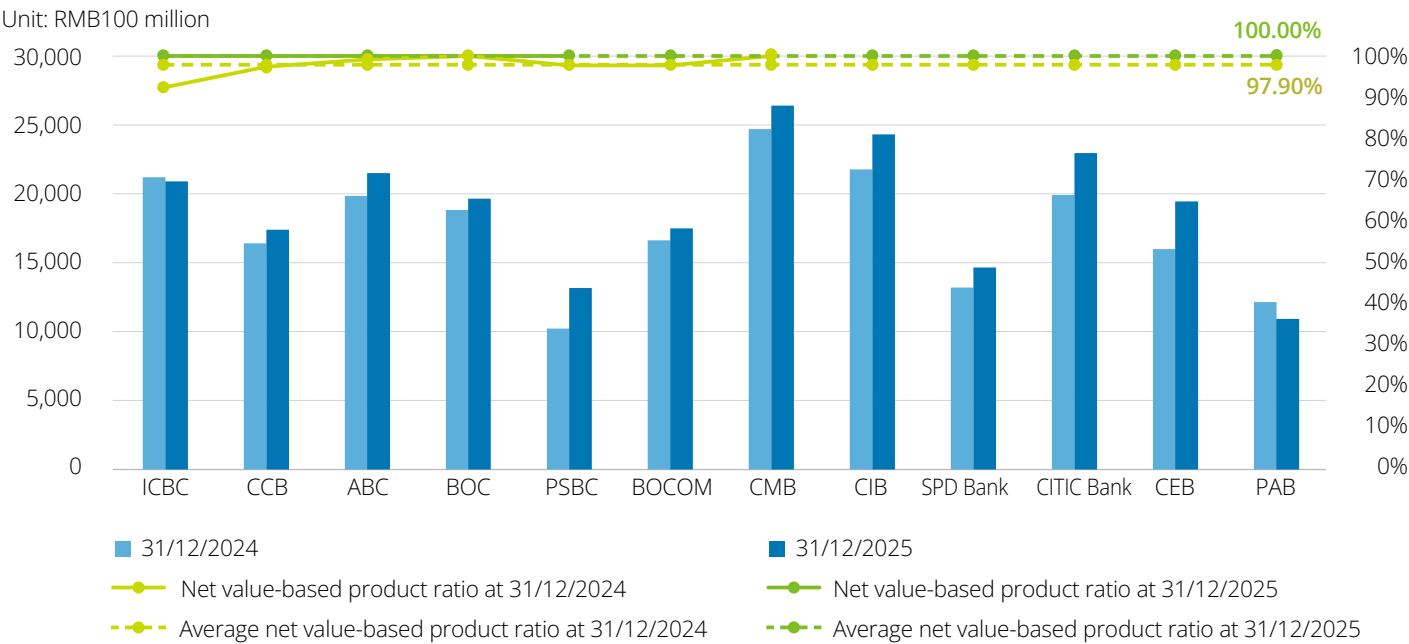
Following the completion of the full net-value-based transformation, China's banking wealth management market demonstrated a combined profile of steady growth and in-depth transformation in 2025. The outstanding balance of wealth management products rose steadily. The competitive landscape of the sector has shifted from scale expansion to intensive development, with institutions pursuing differentiated strategic layouts. Meanwhile, a complete modern regulatory system has taken shape step by step, steering the industry toward standardized and long-term development. The banking wealth management market has ramped up efforts to serve national strategies and implement the people-centered philosophy of financial work. It has become a key engine driving the growth of banks' wealth management businesses and helping residents preserve and appreciate their wealth.

Steady expansion of bank wealth management market amid full completion of net-value-based transformation across the sector

According to the *Annual Report on China Banking Wealth Management Market (2025)* released by the China Banking Wealth Management Registration & Custody Center, by the end of 2025, the scale of existing banking wealth management products was RMB33.29 trillion, up 11.15% from the end of the prior year.

The 12 domestic commercial banks' scale of existing wealth management products was RMB22.89 trillion, up 8.50% year-on-year. BOCOM, CIB, SPD Bank, CITIC Bank and PAB did not disclose the data of net value-based products, while the rest of the domestic banks registered a 100% net-value ratio for their wealth management products at the end of 2025, achieving full net-value-based management.

Figure 1: Wealth Management Product Scale and Net-value-based Product Ratio at the End of 2025 and 2024



Note: The financial data were sourced from the banks' 2025 and 2024 annual reports. BOCOM, CIB, SPD Bank, CITIC Bank and PAB did not disclose the data of net value-based products; therefore, the average net value-based ratio above was calculated excluding these five banks.

CMB, CIB, and CITIC Bank took the top three places in terms of wealth management scale, totaling RMB2.64 trillion, RMB2.43 trillion and RMB2.30 trillion, respectively. Among the 12 domestic banks, ICBC's and PAB's wealth management scale contracted slightly, but the others' expanded remarkably. The business scale growth rate in 2025 edged down from the 11.75% posted in 2024, yet the overall scale still maintained steady expansion. Among the state-owned banks, PSBC's scale increased by RMB294.6

billion or 28.81%, standing out with prominent growth. ABC's scale increased by RMB165.9 billion or 8.36%. CCB, BOCOM and BOC each recorded growth of more than 4% in their wealth management scale. Among joint-stock banks, CEB, CITIC Bank, CIB and SPD Bank all recorded growth of more than 10% in their wealth management scale. CEB's and CITIC Bank's wealth management scale grew by 21.66% and 15.23%, respectively.

Table 1: Off-Balance Sheet Wealth Management Scale, AUM and Wealth Management Product Ratio in AUM

Unit: RMB trillion

Bank	Wealth management scale	Change in wealth management scale	AUM scale	Change in AUM scale	Proportion of off-sheet wealth management in AUM	Change in proportion of off-sheet wealth management in AUM
ICBC	2.09	-1.41%	39.40	6.62%	5.31%	-0.43%
CCB	1.74	6.03%	32.58	7.32%	5.34%	-0.07%
ABC	2.15	8.36%	34.80	7.77%	6.18%	0.03%
BOC	1.96	4.28%	28.15	7.90%	6.98%	-0.24%
PSBC	1.32	28.81%	17.86	9.50%	7.38%	1.11%
BOCOM	1.75	5.20%	11.06	5.68%	15.82%	-0.07%
CMB	2.64	6.88%	12.56	7.71%	21.01%	-0.17%
CIB	2.43	11.64%	8.45	8.25%	28.76%	0.87%
SPD Bank	1.47	11.03%	7.12	8.70%	20.58%	0.43%
CITIC Bank	2.30	15.23%	8.42	7.21%	27.26%	1.90%
CEB	1.95	21.66%	6.05	7.33%	32.17%	3.79%
PAB	1.09	-10.04%	4.73	-1.68%	23.11%	-2.15%
Total/ average	22.89	8.50%	211.18	7.32%	16.66%	0.42%

Note: The financial data were sourced from the banks' 2025 and 2024 annual reports. AUM=deposit balance + wealth management scale

At the end of 2025, the AUM growth rates of the 12 domestic banks mostly remained stable, with an average growth rate of 7.32% (2.41% in 2024), and only PAB saw a slight decline. Regarding the AUM structure, the average deposit proportion and average wealth management proportion of state-owned banks stood at 92.17% and 7.83% respectively. Deposit businesses occupy an absolutely dominant position in the AUM of large state-owned commercial banks and form the core component of their AUM. In terms of the relative structure of deposits and wealth management products, the proportion of wealth management business scale of large state-owned commercial banks was markedly low. By contrast, the average proportion of wealth management business scale in AUM across all joint-stock banks reached 25.48%, among which CEB posted the highest proportion at 32.17%. In terms of the wealth management scale landscape, CMB,

CIB, CITIC Bank, ABC and ICBC formed the RMB2 trillion wealth management tier. CIB ranked second with a wealth management scale of RMB2.43 trillion and boasted the highest ratio of wealth management business to AUM at 28.76%, highlighting the core weight of wealth management business within its wealth system. Since 2025, against the combined effects of continuously falling deposit interest rates, periodic recovery of the capital market and structural improvement in yields of wealth management products, the appeal of long-term deposits has weakened noticeably. Bank wealth management businesses have become the key engine driving banks' future AUM growth. Therefore, steadily expanding the scale of wealth management businesses has become the core strategic direction for all banks to deploy wealth management and achieve high-quality growth in scale.

Banks' wealth management subsidiaries registered steady improvement in profitability with deepening transformation toward diversified allocation

In 2025, there were no newly licensed wealth management companies. By the end of 2025, 32 wealth management companies had been licensed and established nationwide, of which 6 were sponsored by state-owned banks, 12 by joint-stock banks, 8 by city commercial banks, 1 by a rural commercial bank, and 5 were joint venture wealth management firms. The market share of wealth management companies climbed steadily. According to the *Annual Report on China Banking Wealth Management Market (2025)*, by the end of 2025, the outstanding balance of products managed by wealth management companies hit RMB30.71 trillion, accounting for 92.25% of the total scale of wealth management products, representing a year-on-year increase of 16.72%.

In 2025, the bond market maintained sound overall operation yet faced amplified volatility, demonstrating strong market resilience amid volatile swings. Driven by sustained policy support and gradual improvement in market expectations, the equity market stabilized and staged a recovery, fostering a relatively favorable market environment for the sustained development of bank wealth management businesses. For the full-year period, while the net asset value breaking ratio of wealth management products saw periodic fluctuations, it remained at a generally low level, with further enhanced stability in product operation.

Figure 2: Wealth Management Subsidiaries' Net Profit and ROE Ratio in 2025 and 2024

Unit: RMB100 million



Note: The financial data were sourced from the banks' 2025 and 2024 annual reports. SPD Wealth Management did not disclose its ROE in 2024.

Benefiting from the sound performance of the bond market and sustained recovery of the equity market, profitability across the wealth management sector registered steady improvement. Most wealth management subsidiaries posted year-on-year positive net profit growth. The

aggregate net profit of the 12 sampled wealth management subsidiaries rose by 15.82% in 2025 compared with 2024. ABC Wealth Management recorded a net profit of RMB3.754 billion in 2025, surpassing CMB Wealth Management to rank first in the industry with a year-on-year increase of

91.92%. CMB Wealth Management generated a net profit of RMB2.726 billion in 2025, roughly flat against 2024. CITIC Wealth Management and CIB Wealth Management achieved full-year net profits of RMB2.664 billion and RMB2.586 billion respectively, ranking second and third steadily among wealth management subsidiaries of joint-stock banks. The average ROE of the 12 sampled wealth management companies stood at 12.24% in 2025, up 0.13 percentage points from 2024.

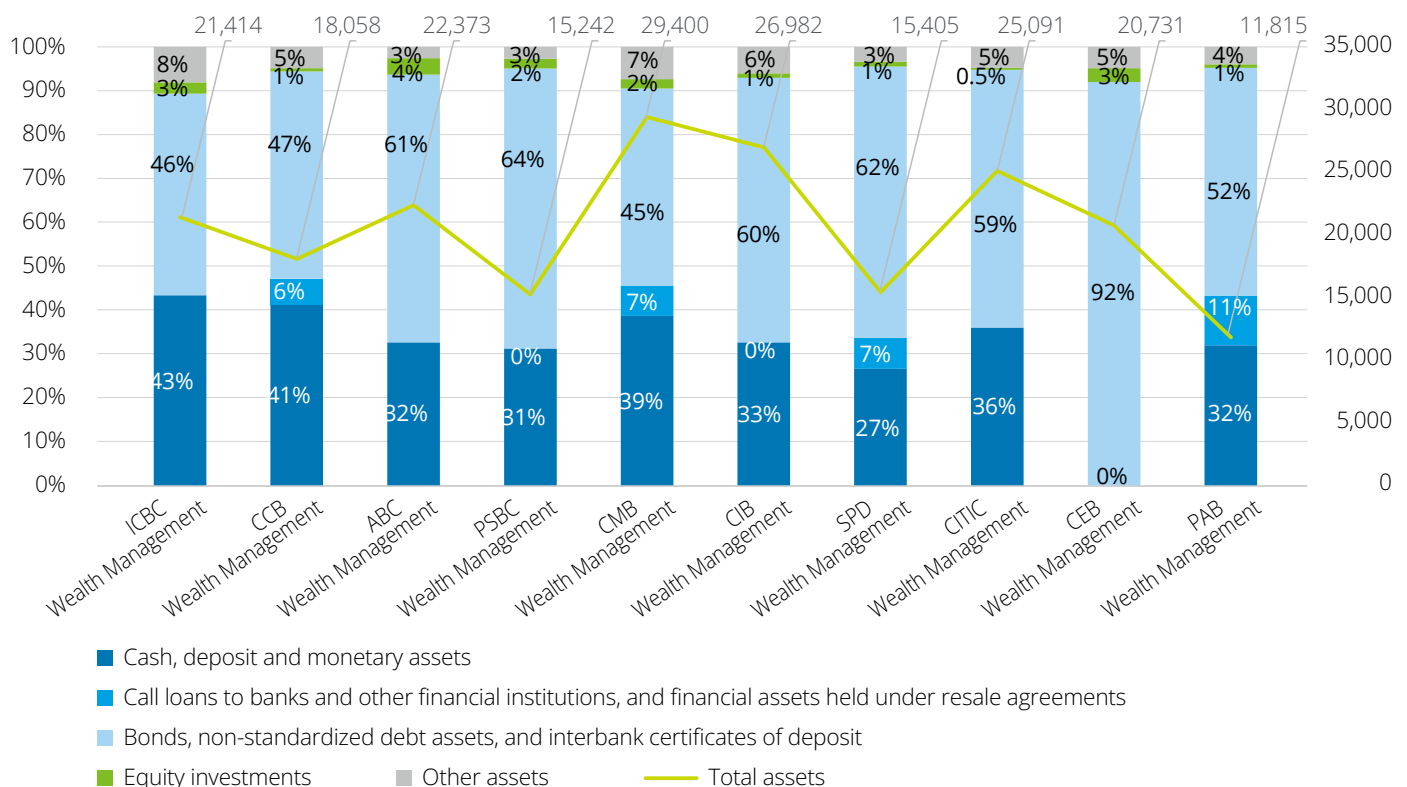
Wealth management subsidiaries of joint-stock banks delivered outstanding performance. Among them, CITIC Wealth Management, CEB Wealth Management and SPD Wealth Management took the top three spots with ROE of 19.05%, 18.26% and 16.19% respectively. Within wealth management subsidiaries of state-owned banks, ABC Wealth Management, BOC Wealth Management and BOCOM Wealth Management led the pack, posting ROE of

14.47%, 11.75% and 10.54% respectively. Joint-stock banks generally boast more mature investment research systems, prominent active management capabilities, higher allocation ratios of equity assets and relatively flexible product operation mechanisms. As such, they generally outperform large state-owned banks in profit elasticity and operational efficiency.

As indicated by the *Annual Report on China Banking Wealth Management Market (2025)*, the average yield of wealth management products stood at 1.98% in 2025. The wealth management market generated a total of RMB730.3 billion in returns for investors, representing a growth of 2.87% compared with the RMB709.9 billion recorded in 2024. Therein, banking institutions delivered aggregate investor returns of RMB113.2 billion, a year-on-year drop of 24.29%; wealth management companies generated total investor returns of RMB617.1 billion, up 7.76% year-on-year.

Figure 3: Balance of Wealth Management Products by Investment Categories (under the Penetrating Principle)

Unit: RMB100 million



Note 1: The financial data were sourced from the wealth management subsidiaries' performance reports for the second half of 2025. BOC Wealth Management and BOCOM Wealth Management did not release such a report.

Note 2: CEB classifies cash, deposits and money-market assets together with bonds, non-standardized debt assets and interbank certificates of deposit as fixed-income investments.

The competitive landscape of the wealth management market keeps improving at present, with the whole sector shifting from scale expansion to intensive growth, while gradual differentiation is emerging among institutions. Leading players consolidate their market positions relying on comprehensive strengths, while small and medium-sized institutions pursue differentiated development by virtue of regional resources and distinctive businesses. Future industrial competition will no longer be limited to products and fee rates, but gradually evolve into a contest of comprehensive capabilities. Building sustainable core competitiveness has become a key development priority for all wealth management companies. In terms of core competitiveness, professional investment and research capabilities, sound and all-round risk control standards, efficient customer and channel operation capabilities as well as refined operation and management efficiency jointly form the vital underpinning that enables wealth management companies to gain a foothold in the market and achieve sound long-term development.

As disclosed in the 2025 wealth management business reports of the 10 wealth management companies, bank wealth management products are still primarily allocated to low-risk cash and debt assets. Debt assets recorded the highest average proportion; each of the 10 wealth management companies allocated more than 50% of their investments to debt assets, with an average ratio of 56.81%. Cash assets ranked second with an average allocation ratio of 28.76%. ICBC Wealth Management and CCB Wealth Management held the largest share of cash assets at 43.30% and 41.23% respectively. The average allocation ratio of equity assets stood at 1.79% in 2025, edging up slightly from 1.69% in 2024.

Since 2025, against the multiple favorable backdrops of continuously improved regulatory systems, clear policy support for medium- and long-term capital to enter the market, the full transition of the sector into the net-value-based era, and volatile recovery of the capital market, the overall risk appetite in the wealth management market has remained centered on a prudent and steady stance. Meanwhile, as structural opportunities in the capital market gradually emerge and investors' asset allocation philosophy matures continuously, relying solely on traditional low-risk steady products can no longer fully meet diversified return demands, and market acceptance of varieties with return enhancement potential has risen markedly. Against this backdrop, capital from bank wealth management products has seen sustained inflows into the equity market. Institutions have gradually ramped up research and allocation of equity assets, enriched product supply via various formats including fixed-income plus and hybrid products, and further optimized return structures and business layouts.

Equity wealth management products are gradually shifting from supplementary allocation instruments to important options within investors' asset portfolios, with steady growth in both market attention and allocation demand. This trend not only aligns with the sector's inherent need to pursue yield breakthroughs while maintaining a sound foundation, but also drives the industry's transformation from a traditional fixed-income-dominated model toward a modern asset management framework featuring multi-asset, multi-strategy and diversified arrangements, unlocking new room for wealth management companies to optimize their income structures and boost long-term profitability.

Regulators establish a systematic regulatory framework to guide the industry toward maturity

2025 stands as a pivotal year for China's banking wealth management industry to march toward high-quality development after the full-scale net-value-based transformation. At the outset of 2025, the NFRA held its annual regulatory work conference, explicitly proposing to channel insurance and wealth management funds to bolster the stable and healthy development of the capital market, which delivered policy guarantees for wealth management capital to expand equity investment. Over the year, regulatory policies were no longer limited to resolving legacy problems or pushing forward isolated transformations.

Instead, following a clear timeline, regulators systematically built a modern full-chain regulatory system covering sales, suitability management, product innovation, information disclosure and other aspects. The successive issuance of a slew of landmark regulations has not only responded to the practical demands of market development, but also proactively guided the industry to serve national strategies, upgrade professional competence and protect financial consumers, drawing a refined roadmap for the sector's sound and sustainable long-term operation.

Table 2: Policies on Banking Wealth Management Businesses Introduced in 2025

Issued Date	Issued by	Policy	Highlight
21 March 2025	NFRA	<i>Measures for Administration of Agency Sales Business of Commercial Banks</i>	- Clarify the qualifications and basic principles that commercial banks shall satisfy to conduct agency sales businesses. - Stipulate that commercial banks shall establish and improve mechanisms covering management systems, business systems, internal management, consumer protection and other areas for agency sales businesses. - Strengthen commercial banks' management responsibilities over cooperating institutions; specify the access review requirements and exit mechanisms for cooperating institutions, and clarify the legal liabilities of commercial banks and cooperating institutions respectively. - Reinforce commercial banks' accountability for the access management of distributed products and lay down due diligence requirements. - Standardize commercial banks' product promotion and agency sales activities. - Specify the obligations commercial banks shall perform during the term of distributed wealth management products. - Specify reporting requirements and regulatory measures for commercial banks conducting agency sales businesses. Practical Significance: The core objective is to clarify the division of rights and liabilities and consolidate primary entity responsibilities. It strengthens the investor suitability management obligations of agency sales institutions, mandating them to conduct independent assessments of investors' risk tolerance and bear accountability for the compliance and suitability of the entire sales process. These provisions standardize sales conduct at the business access stage and lay an operational foundation for subsequent new provisions governing suitability management. Regulators have expanded oversight across the entire wealth management business chain, extending supervision further from the product side to sales channels.

Issued Date	Issued by	Policy	Highlight
11 July 2025	NFRA	<i>Measures for Administrative of the Suitability of Products of Financial Institutions</i>	- Specify the definition, scope of application and core principles of suitability management. - Specify basic requirements for financial institutions, including know-your-product, know-your-customer, suitability matching and compliant promotion and sales activities. - Put forward targeted requirements based on the attributes and characteristics of different products. - Specify regulators' regulatory responsibilities, regulatory measures and penalty provisions concerning financial institutions' suitability management, and stipulate that self-regulatory organizations shall conduct self-regulatory oversight over financial institutions' fulfillment of suitability obligations. Practical Significance: It aims to establish a unified fundamental system for investor protection spanning the entire life cycle of products. This Measures marks a milestone, as it brings asset management products issued by various types of financial institutions including commercial banks, wealth management subsidiaries, trust companies and insurance asset management institutions into a unified suitability management framework for the first time, putting an end to the previous scenario of divergent rules and inconsistent standards across different industries. The promulgation of the Measures fully institutionalizes and proceduralizes the principle that "sellers perform due diligence". It mandates wealth management subsidiaries to gain thorough insight into their products and conduct more granular client profiling, driving the industry's paradigm shift from product-orientation to client-demand-orientation. The Measures strongly complement the agency sales measures issued in March, jointly building a robust safeguard system covering pre-sales activities and investor suitability management. On 27 March 2026, the Banking and Insurance Asset Management Association of China issued the <i>Self-Regulatory Code on Product Suitability Management for Wealth Management Subsidiaries</i>. On the same date, the China Banking Association, Insurance Association of China and China Trustee Association released supporting self-regulatory rules simultaneously. This set of self-regulatory codes realizes industry-specific implementation and detailed operational refinement of the new suitability management rules, jointly establishing a cross-sector self-regulatory framework for suitability management.
27 October 2025	General Office, NFRA	<i>Notice on Promoting the Sustainable and Sound Development of Pension Wealth Management Business</i>	- Steadily expand the pilot program of pension wealth management products - Continuously improve the design of pension wealth management products - Explore the provision of diversified elderly care financial services - Keep refining internal management mechanisms - Vigorously support the development of the elderly care industry - Effectively strengthen risk management Practical Significance: It extends regulatory oversight to the massive wealth management demand amid population aging. Rather than a mere incentive document, the Notice sets out systematic regulatory norms and development requirements governing pension wealth management businesses. In terms of investment, it supports wealth management subsidiaries in investing in high-quality long-term assets aligned with pension characteristics, and ramps up support for the healthcare industry, elderly care industry and silver economy. In terms of fees, it explicitly stipulates that management fees, sales service charges and other relevant charges shall embody the inclusive finance principle with appropriate preferential fee rates. More importantly, the Notice encourages the in-depth integration of pension wealth management products with the individual pension account system. It delivers long-term and stable financial support for the high-quality development of the silver economy, opens up a clear new strategic track for wealth management subsidiaries, and guides them to vigorously develop pension finance.

Issued Date	Issued by	Policy	Highlight
25 December 2025	NFRA	<i>Measures for Administrative of Information Disclosure of Asset Management Products of Banking and Insurance Institutions</i>	- Clarify the legislative basis, scope of application, information disclosure principles and supervision and administration responsibilities - Clarify information disclosure channels, liabilities, methods, prohibited conducts and documentary requirements - Clarify content requirements for information disclosure of all types of asset management products - Clarify internal governance requirements for information disclosure, as well as the duties of custodian institutions, sales institutions and document retention requirements - Clarify the responsibilities of the NFRA and its dispatched offices, self-regulatory organizations, together with penalty measures for violations Practical Significance: It fills the final critical gap in the construction of the annual regulatory system. In the era of net-value-based transformation, the actual performance of products is fully reflected by fluctuations in net value. Timely, authentic, accurate and complete information disclosure serves as the foundation for investors to make investment decisions and for market discipline to function effectively. The Measures impose unified, standardized and elevated requirements on full-cycle information disclosure covering the fundraising, ongoing operation and termination of all types of asset management products, including banking wealth management products, trust products and insurance asset management products. The Measures specify in detail the content and disclosure time limits of various announcements, with particular emphasis on the depth and frequency of disclosure for core information such as investment portfolios, risk profiles, material events and affiliated transactions. It greatly enhances product “transparency”, render the implementation of “sellers perform due diligence” traceable and furnish solid grounds for the principle of “buyers bear investment risks”.

The enhancement of information disclosure essentially builds a sound external market constraint mechanism. It also allows market oversight entities such as the media and research institutions to function more effectively, compelling wealth management subsidiaries to steadily improve their investment management capacity and compliance operation standards. The new rules governing information disclosure and suitability management reinforce one another: one safeguards that investors “make suitable purchases”, and the other ensures they “see the full picture”, together forming a complete closed-loop framework for the protection of financial consumers.

In addition, the new information disclosure rules mandate full disclosure of the calculation basis for performance comparison benchmarks, which shall be linked to investment strategies and underlying assets and shall not be adjusted arbitrarily. Traditional fixed benchmarks will face mounting compliance pressure, as they lack sound market logic and are subject to frequent revisions. Meanwhile, the downward trend in fixed-income yields will push the industry toward

more authentic disclosure of return expectations. Recently, a number of wealth management subsidiaries including CMB Wealth Management, CIB Wealth Management and SPD Wealth Management have successively adjusted the performance comparison benchmarks of their products, gradually shifting from fixed benchmarks to those pegged to market interest rates or indices.

Looking back on 2025, the regulatory roadmap for banking wealth management is crystal clear: it begins with standardizing sales access (agency sales measures), proceeds to reinforcing the full-cycle investor protection baseline (new suitability management rules), moves on to steering strategic business innovation (notice concerning pension wealth management), and culminates in consolidating the bedrock of market operation (new information disclosure rules). The policies rolled out at these four pivotal stages are closely interlinked and progressively advanced, jointly forming a targeted, logically consistent regulatory “combined toolkit”. The establishment of this regime marks a comprehensive upgrade to the regulatory

philosophy for China's banking wealth management sector — the focus has shifted from ex post risk disposal and ongoing compliance inspections to a modern, systematic governance framework featuring ex ante institutional guidance, ongoing end-to-end oversight, ex post market discipline. Within this rigorous regulatory architecture, competition among wealth management subsidiaries has fully evolved from a simplistic race over asset scale

and yield levels into an in-depth contest of integrated strengths covering investment research, risk management, client services and fintech. The regulatory agenda of 2025 not only underpinned stable market performance and structural optimization throughout the year, but also laid an unshakable institutional foundation enabling the industry to navigate economic cycles and deliver genuine high-quality and sustainable development.

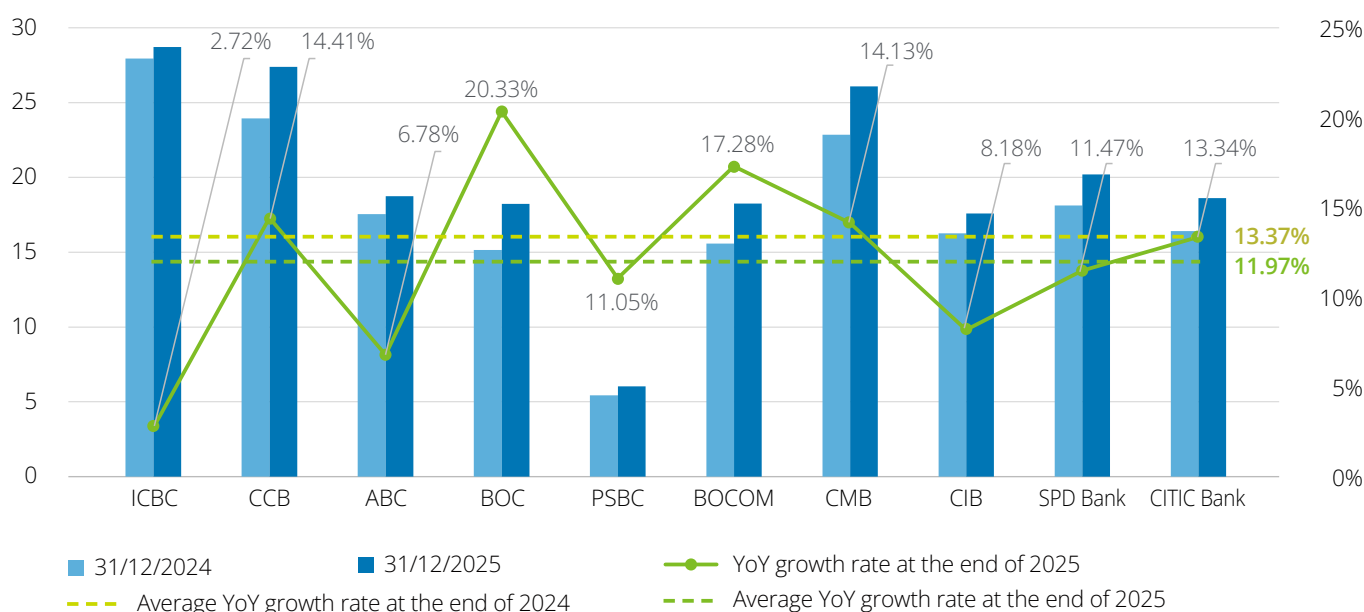
Custody service drives lightweight transformation amid steady expansion of bank custody assets.

As a vital vehicle for the banking sector to serve economic and social development, the asset custody industry plays a pivotal role in improving the social credit system, bolstering the growth of the real economy, advancing the development of the capital market, and safeguarding the legitimate rights and interests of financial consumers. Meanwhile, as a critical link in the wealth management value chain, custody business

can effectively upgrade commercial banks' comprehensive financial service capacity, raise their participation in capital and money markets, and elevate brand value and overall competitiveness. It has become an important underpinning for banks to pursue lightweight transformation and strengthen integrated service capabilities.

Figure 4: Scale of AUC at the End of 2025 and 2024

Units: RMB trillion



Note: The data were sourced from relevant data disclosed in Management Discussion and Analysis Section of the banks' 2025 and 2024 reports. PAB and CEB did not disclose their AUC.

As of the end of 2025, the 10 domestic banks' AUC totaled RMB199.87 trillion, an increase of RMB20.60 trillion from 2024, with a growth rate of 11.49%. The six state-owned banks' AUC totaled RMB117.37 trillion, accounting for 58.72% and representing a growth rate of 11.15%. The four joint-stock banks' AUC totaled RMB82.50 trillion, accounting for 41.28% and representing a growth rate of 11.99%.

The top three domestic banks in terms of AUC scale were ICBC, CCB, and CMB, with AUC totaling RMB28.71 trillion, RMB27.40 trillion and RMB26.09 trillion, respectively. Regarding the development speed of custody services, the top three banks were BOC, BOCOM, and CCB, with growth rates of 20.33%, 17.28%, and 14.41%, respectively.

Each bank's AUC covers mainstream categories including public funds, private funds, pension funds, insurance funds, bank wealth management products, cross-border assets, and fund supervision businesses. Among state-owned banks, ICBC ranks first in the industry in terms of comprehensive AUC scale and business strength; CCB

focuses on innovative asset management, REITs and insurance fund custody businesses; ABC takes root in county markets and devotes itself to agriculture, rural areas, farmers industries and pension custody sectors; relying on its global layout, BOC features cross-border asset custody as its core advantage; PSBC targets sinking markets and boasts prominent strengths in inclusive pension and county fund custody; BOCOM maintains steady development in pension fund and fixed-income asset custody. As for joint-stock banks, drawing on its wealth management edges, CMB delves into private banking, wealth management and trust custody; leveraging interbank resources, CIB vigorously develops green finance and interbank wealth management custody; relying on digital systems, SPD Bank stands out in internet platform custody capacity; CITIC Bank boosts public fund, ABS and REITs custody businesses. Overall, state-owned banks boast massive AUC volume and comprehensive business layouts, while joint-stock banks target segmented sectors based on their respective endowments, forming a differentiated operation landscape.

Forging steady progress toward standardized, long-term and high-quality development

2025 marks the concluding year of the 14th Five-Year Plan and a pivotal year for the launch of the 15th Five-Year Plan. Since 2025, driven by multiple factors including continuous improvement of the regulatory system, policy support for medium- and long-term capital inflows, full-scale net-value-based transformation of the industry, and gradual stabilization of the stock market, the banking wealth management sector has kept forging steady progress toward standardized, long-term and high-quality development. Financial regulatory authorities have actively optimized the financial environment. The banking wealth management sector has thoroughly practiced the political

and people-oriented nature of financial work, steadily delivered on the "five major tasks", and played an active role in serving the high-quality development of the real economy and boosting residents' wealth growth.

According to the *Annual Report on China Banking Wealth Management Market (2025)*, as of the end of 2025, the outstanding scale of the banking wealth management market reached RMB33.29 trillion. A total of 33,400 new wealth management products were issued throughout the year, raising RMB76.33 trillion in funds and generating an aggregate return of RMB730.3 billion for investors.

Table 3: Banks' Asset and Wealth Management Viewpoints

Bank	Focus and development direction
ICBC	The bank embraced new opportunities and missions of the asset management industry against the backdrop of pursuing high-quality financial development, and provided more adaptive, competitive, and inclusive financial supplies to support high-quality economic development and the growing demand for wealth management. On the product side, the bank remained customer-centric, improved the professionalism of financial services such as wealth management, mutual fund, insurance, pension fund, etc. and developed the "ICBC Asset Management" brand to satisfy customers' demands for wealth preservation and appreciation. On the investment side, the bank fully leveraged the license advantages of comprehensive subsidiaries, stepped up investment support for fields including advanced manufacturing, specialized, sophisticated, distinctive and innovative SMEs, inclusive micro and small enterprises, technological innovation and green development, so as to boost the development of the modern economic system.
CCB	The bank upheld a professional and prudent positioning, took serving direct financing and meeting diversified wealth management demands as the main line, and strived to enhance its value creation capacity and market competitiveness. On the client side, the bank continuously improved the collaborative marketing mechanism and tailored solutions covering both capital and asset ends for key clients. On the product side, the bank gradually enriched the shelf of asset management products and strengthened the supply of high-quality products. On the asset side, the bank steadily elevated the quality and efficiency of its asset management business in serving the real economy, and stepped up investment support for sectors including advanced manufacturing, specialized, sophisticated, distinctive and innovative SMEs, inclusive micro and small enterprises, technological innovation and green development. Guided by the goals of delivering high-quality services for national development, satisfying wealth management demands and improving service efficiency in financial markets, the bank adhered to a market-oriented and professional development path, actively integrated itself into the comprehensive operation covering corporate and individual clients, and continuously refined the service system for interbank clients. Tiered, stratified and categorized management yielded notable results, and the depth and breadth of cooperation with interbank counterparties were further expanded.
ABC	The bank continuously upgraded its professional service capabilities in wealth management and strengthened full-cycle accompanying services to create long-term value for customers, striving to become a family financial planner trusted by customers. It kept improving its open wealth management platform. Adhering to the principle of "reasonable expectations and qualified delivery", the bank boosted internal group collaboration and deepened external cooperation, pooling high-quality resources including wealth management institutions, products and specialists. It steadily pushed forward the supply-side reform of products and exerted efforts on both innovation and optimized selection to enrich product supply and optimize product layout. The bank continuously stepped up the development of full-process, professional service capabilities. Based on customers' needs and risk preferences, it offered sustainable wealth growth solutions of "deposits + wealth management + other products/ services", refined the full-cycle service model covering demand insight, asset allocation and post-investment accompanying services, and optimized customers' investment experience. It strengthened the development of wealth service teams to further elevate customer-facing services.
BOC	The bank seized market opportunities arising from the growth of residents' wealth and the expansion of cross-border asset management. It continuously optimized its product system, consolidated channel development, boosted investment research capabilities, and steadily improved risk compliance management capacities to drive the high-quality development of its asset management business. Actively serving the real economy and residents' wealth management needs, the bank provided domestic and foreign currency products featuring a full range of asset classes, diversified investment strategies and complete investment cycles for individual and institutional investors, and steadily accelerated the issuance of various innovative thematic featured products.
PSBC	Adhering to the general work tone of pursuing progress while ensuring stability and targeting the accelerated development into a first-class bank-owned asset management company, the bank seized strategic opportunities for transformation and development, and continuously deepened the comprehensive, digital-intelligent and refined transformation through reform and innovation to strengthen internal capabilities. It implemented the business guideline of "maintaining steady growth, upgrading capabilities, prioritizing innovation, strengthening marketing and advancing transformation", consolidated core functions, boosted core competitiveness, and advanced the high-quality development of wealth management business. The bank firmly served national strategies and earnestly delivered on the "five major tasks" of finance. It strived to elevate core competitiveness and accelerate the high-quality development of wealth management. Focusing on digital operation and intelligent empowerment, the bank pushed forward the transformation of its business model. Taking risk control and compliance as the foundation, it operated prudently to build a solid risk prevention network.

Bank	Focus and development direction
BOCOM	The bank continuously strengthened its full-chain wealth management capabilities covering investment research, product selection, asset allocation and client accompanying services, boosted residents' property income via multiple channels, and contributed to common prosperity. It bolstered investment research capabilities by integrating the group's investment research resources and rolling out proposals for broad asset allocation. The bank reinforced product selection capabilities by selecting top-tier high-quality institutions for key cooperation and kept building the "OTO Best Choice" brand; funds and wealth management products under "OTO Best Choice" outperformed the market average return. It strengthened asset allocation capabilities by releasing quarterly asset allocation proposals and continuously optimizing the wealth management system to deliver personalized asset allocation services for clients. The bank delivered solid client accompanying services, rolled out wealth management campaigns including the "Hundred Cities & Ten Thousand Households" and "OTO Wealth Tour", and brought wealth management services to thousands of households.
CMB	The bank deepened collaborative integration around the wealth preservation and appreciation demands of residents and enterprises, and coordinated the accelerated development of wealth management, asset management and asset custody sectors to realize mutual advancement and a virtuous cycle. Adhering to the investment and management philosophy of pursuing progress while ensuring stability, it continuously consolidated the foundation for development. The bank established and refined a full spectrum of wealth management products with clear tiered structures and comprehensive strategies, prioritizing absolute return targets while taking relative return targets as supplements. It ramped up the layout of medium-and-long-term, multi-asset and multi-strategy products, built brands such as "Three Treasures for Short-term Bonds" and "Fixed Income+", and further operated the multi-asset and multi-strategy brand matrix of "Quan + Fu". It enriched product functions including regular wealth management investment, target profit products, customizable maturity dates and flexible withdrawal services to improve the investment experience.
CIB	The bank continuously elevated the professional capabilities of its wealth management, fund and trust subsidiaries and pushed forward the transformation and development of asset management business to satisfy customers' growing demand for asset allocation. Actively adapting to market shifts and changing client demands, it reshaped and optimized its product shelf driven by integrated investment research and sales. Boasting full coverage of fixed income, fixed income+ and equity product lines, the bank effectively matched the differentiated demands of various entrusted funds across multiple dimensions including strategy category, asset type, investment horizon and risk level. It kept pace with market trends and built an accurate and comprehensive product system. Faced with market volatility, it delivered professional and thoughtful accompanying services for clients.
SPD Bank	The bank strengthened group synergy to jointly build a new asset management ecosystem and further developed a unique group collaboration system featuring SPD Bank's strengths, with the influence of its asset management brand steadily expanding. Taking "product co-creation capacity, service sharing capacity and team joint-building capacity" as three core pillars, it forged a collaborative ecosystem of value symbiosis, delivering robust performance reflected in innovation breakthroughs, collaborative growth and comprehensive professional empowerment. The bank upgraded its asset allocation services to forge a new model of wealth management, committed to delivering wealth management value to customers. It pooled the group's professional expertise, strengthened research and judgment on market trends, diversified the supply of products, and shifted its service focus from single product sales to asset allocation, providing customers with professional wealth management service solutions and realizing the transformation from sales-oriented management to professional empowerment.
CITIC Bank	The bank adopted the dual-wheel integrated development model of "multi-asset multi-strategy portfolio investment + investment advisory services" and steadily upgraded its investment research capabilities. It developed full-life-cycle accompanying wealth management services, delivering steady growth in the number of held-position clients and the returns generated for customers. Upholding the customer-centric business philosophy, the bank fully addressed investors' increasingly diversified wealth management demands. While acting as a core supplier of fixed income products, it strived to become an important provider of equity-linked products.
CEB	The bank continuously leveraged the brand function of "Sunshine Wealth Management" in wealth management, optimized and iterated the "Seven-colored Sunshine" product system, and created the multi-asset and multi-strategy brand "Guangying +". Focusing on strategic directions including "+ quantitative" and "+ diversification", it strived to satisfy investors' differentiated asset allocation demands. It steadily delivered solid wealth management services for key sectors, actively developed and launched thematic wealth management products covering pension finance, green finance and inclusive finance, which drove steady growth in product scale and continuously lifted its market competitiveness and customer recognition. The bank consistently upgraded its professional investment research capacity, built an investment research interaction framework and decision-making mechanism matching its wealth management business layout, expanded deployment in core sectors such as equity assets and alternative investments, effectively broadened channels for asset sourcing and boosted its support for the capital market and real economy. Taking risk control and compliance as the bottom line of sound operation, it dynamically refined the comprehensive risk management system, strengthened whole-process product quality control, fully safeguarded the legitimate rights and interests of investors, and realized coordinated development in scale, benefits and quality.

Bank	Focus and development direction
PAB	The bank adhered to the bottom line of risk compliance, focused on building core capabilities covering channels, investment and product development, and advanced all work in an orderly manner. It deepened channel operation, fully integrated into PAB's business scenarios, and jointly built the service system of "Choose Ping An for Wealth Management Products" together with the Bank to help acquire customers and continuously deliver collaborative value. PAB pressed ahead with sustained structural optimization and high-quality development of its broad wealth management business. It boosted scenario-based operation capabilities by expanding key scenarios such as public-private linkage, platform customer acquisition and transaction settlement, and strengthened the digital capacity of accounts to lift customer transaction activity and boost demand deposit accumulation. The bank upgraded wealth management services, developed bancassurance business into a key growth engine for its extensive wealth management business, elevated the comprehensive asset allocation capabilities of wealth service teams, and created competitive products tailored for different customer groups. It also upgraded benefit services for key customer segments to improve service efficiency and customer experience.

Conclusion

The year 2025 marked that after completing the comprehensive transformation to net-value-based wealth management products, China's banking wealth management industry officially entered a new stage of high-quality development underpinned by systematic regulation, centered on core competitiveness and oriented toward serving national strategies. The gradually refined regulatory system has formed the institutional pillar for the industry's long-term steady development, driving a complete shift in the industry's competition paradigm from homogeneous competition over asset scale and fee rates to intensive growth centered on professional investment research, full-scale risk control and refined operation. The banking wealth management sector continued to uphold the political attributes and people-centered nature of financial work. While effectively supporting the transformation and upgrading of the real economy and helping residents preserve and increase the value of their assets, it consolidated its position as a key pillar within the modern financial system with Chinese characteristics.

4



Reducing inventory, mitigating risks, and pursuing transformation: Commercial banks adopt targeted measures to safeguard real estate sector stabilization and transition

By halting the decline and stabilizing the market to lay a solid foundation, and by implementing city-specific policies to optimize the structure, the real estate sector is developing at a steady and rapid pace

According to data released by the National Bureau of Statistics in January 2026, the total investment in real estate development in 2025 was RMB8.28 trillion, down 17.2% from the previous year. Residential investment totaled RMB6.35 trillion, down 16.3% from the previous year.

As a pivotal period for the transformation toward improved quality and efficiency, in 2025, the real estate sector has continued to follow the trend of “halting the decline and gradually stabilizing.” At the central government level, efforts to strengthen top-level design and policy coordination continues, with stabilizing expectations, stimulating demand, optimizing supply, and mitigating risks serving as core policy priorities. A series of policies are introduced in succession to support and safeguard the transformation of the sector. Specifically, policy efforts are being made on two

fronts: On the one hand, multiple ministries are coordinating their efforts to alleviate pressures on the demand side. By lowering interest rates on mortgages and housing provident fund loans, raising the maximum housing provident fund loan limit, and increasing subsidies for home purchases, they are effectively reducing the cost of home purchases and unleashing both demands for first homes and better housing. On the other hand, supply-side reforms continue to deepen. By approving pilot programs for the comprehensive reform on market-oriented allocation of production factors, issuing detailed rules for the disposal of idle land in the existing land stock, and implementing supporting policies for the acquisition and revitalization of existing commercial housing, the government is accelerating the shift away from reliance on new development and promoting high-quality development in the real estate sector.

In early 2026, the “Two Sessions” clearly outlined a three-pronged approach: implementing city-specific policies to control new supply, reduce existing inventory, and optimize supply structure. They also set the tone for shifting the focus of real estate market efforts from “continuing to work hard to halt the decline and stabilize the real estate

market” to “focusing on stabilizing the real estate market”, while continuing to make sustained efforts to ensure the completion and delivery of housing projects, establish new business models, broaden the coverage of affordable housing, and build quality homes.

Key real estate policies introduced in 2025 and impacts

Central policies

Released by	Time and nature	Content and impact
The State Council	5/3/2025 Expansionary/ demand side, supply side	<i>2025 Report on the Work of the Government</i> Introduce city-specific policies on adjusting or reducing property transaction restrictions. Intensify efforts to redevelop urban villages and renovate old and dilapidated houses. Fully tap into the potential demands for first homes and better housing. Optimize urban spatial structures and land use practices and properly control the supply of new land for real estate projects. Make good use of existing land resources as well as commercial and office properties and facilitate the purchase of commodity housing stock. Governments in cities will be granted greater power to determine the types of entities that can make such purchases, the prices of such properties, and the purposes for which they will be used. Expand the scope for using the relending facility for government-subsidized housing. Leverage real estate financing coordination mechanism to ensure the timely delivery of housing projects and effectively prevent debt defaults by real estate companies. Foundational systems will be established in a well-ordered way to foster a new development model for the real estate sector. To meet people's demand for high-quality housing, the government will improve the standards and regulations on building quality homes that are safe, comfortable, eco-friendly, and smart.
The State Council	16/3/2025 Expansionary/ demand side	<i>Special Action Plan for Boosting Consumption</i> Continue to make concerted efforts to halt the decline and stabilize the real estate market; step up efforts to redevelop urban villages and old and dilapidated houses; and fully unleash the potential of demands for first homes and better housing. Allow special-purpose bonds to support municipal governments in acquiring existing commercial housing for use as affordable housing. Implement tax policies aimed at promoting the stable and healthy development of the real estate market. Reduce housing provident fund loan interest rates at an appropriate time. Expand the scope of housing provident fund usage to allow contributors to apply for individual housing loans backed by the housing provident fund while withdrawing funds to pay the down payment on a home purchase.
Political Bureau of the CPC Central Committee	25/4/2025 Expansionary/ supply side	Accelerate the development of a new model for the real estate sector, increase the supply of high-quality housing, optimize policies for the acquisition of existing commercial housing, and continue to consolidate the stable trend in the real estate market. Maintain stability and vitality in the capital markets.
PBC	7/5/2025 Expansionary/ demand side	<i>Notice of the People's Bank of China on Reducing Interest Rates on Individual Housing Provident Fund Loans</i> The People's Bank of China decided that, effective on 8 May 2025, the interest rates on individual housing provident fund loans will be reduced by 0.25 percentage points. The interest rates for first-home individual housing provident fund loans with terms of 5 years or less (including 5 years) and over 5 years will be adjusted to 2.1% and 2.6%, respectively, while the interest rates for second-home individual housing provident fund loans with terms of 5 years or less (including 5 years) and over 5 years will be adjusted to no less than 2.525% and 3.075%, respectively.
Ministry of Finance, State Taxation Administration	29/12/2025 Expansionary/ supply side	<i>Announcement on Value-Added Tax Policies Regarding Individuals' Sales of Residential Properties</i> Individuals (excluding general taxpayers in individual industrial and commercial households) who sell residential properties purchased for less than 2 years externally shall pay value-added tax on the full amount at a rate of 3%; individuals who sell residential properties purchased for 2 years or more (including 2 years) externally shall be exempt from value-added tax.

Local policies

Time	City	Content and impact
March	Nanjing	Sales restrictions have been lifted citywide. Properties can be sold immediately upon obtaining the real estate ownership certificates, thereby stimulating the second-hand housing market.
	Shenzhen, Hangzhou, Zhengzhou, etc.	Raise the cap on housing provident fund loans and increase the loan-to-contribution multiples.
June	Guangzhou	Completely lift all housing purchase, resale, and price restrictions, while simultaneously lowering down payment requirements and interest rates on loans.
July	Wuhan	The cap on a second-home individual housing provident fund loan has been increased from RMB1 million to RMB1.2 million.
	Chengdu	1. Phase out housing resale restrictions in stages to promote second-hand housing transactions; 2. Strengthen support for housing provident fund loans by raising loan limits; 3. Improve the coordination mechanism among population, housing, land, and financial resources to enhance the quality of the housing supply; 4. Advance the revitalization of existing housing inventory and encourage the acquisition of such properties for use as affordable housing.
	Changsha	Increase support through the housing provident fund. For families in this city having two or three (or more) children who purchase a first or second self-occupied property, provided it is a newly constructed commercial residential property, the maximum loan amount will be increased by 20% and 30%, respectively, based on the city's current maximum loan amount.
August	Beijing, Shanghai	Relax purchase restrictions in suburban areas, include certain outlying districts and counties in the scope of the relaxation; and allow non-local residents to purchase an unlimited number of commercial residential properties after meeting certain social insurance contribution requirements.
	Suzhou	The restriction requiring newly constructed commercial residential properties in Suzhou's urban area to be held for at least 2 years after obtaining the real estate ownership certificate before they can be transferred has been lifted (except for residential properties subject to specific transfer restrictions).
September	Shenzhen	Relax purchase restriction requirements in non-core areas, optimize eligibility criteria for home purchases, and adjust the social insurance contribution requirement for non-Shenzhen-registered households and single adults (including divorced individuals) from three years to one year.
	Shanghai	Improve housing tax policies to stipulate that a homebuyer who has held a Shanghai Residence Permit for at least three years and who works and lives in Shanghai will be temporarily exempt from property tax on the first newly purchased home in Shanghai.
	Hefei, Wuhan	Raise the cap on housing provident fund loans and increase the loan-to-contribution multiples to meet the demands for both first homes and better housing.
October	Nanjing	Raise the cap on housing provident fund loans. The maximum housing provident fund loan amount for individual contributors has been raised from RMB500,000 per person to RMB800,000 per person. The maximum housing provident fund loan amount for households (where both spouses are contributors) remains at RMB1 million per household.
	Yunnan Province, Ya'an	A tiered subsidy system will be implemented for homebuyers purchasing newly constructed commercial residential properties.

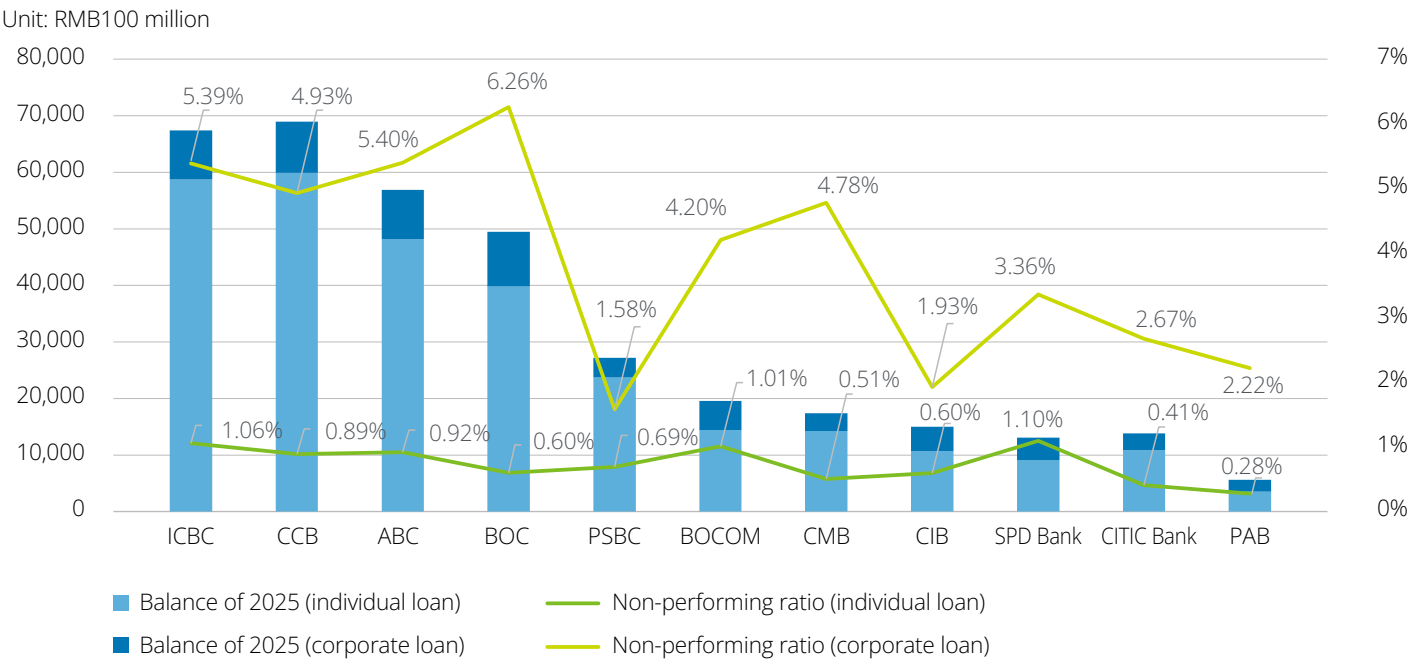
Commercial banks' loan supply slows down; corporate non-performing loans show polarization

In terms of lending recipients, commercial banks' real estate loans are primarily divided into two categories: real estate corporate loans and individual housing loans. At the off-balance-sheet level, banks also channel some funds into the real estate sector through channel businesses, such as wealth management products, entrusted loans, and

commissioned sales of trusts and funds, for which banks do not bear credit risk. In terms of loan volume, individual housing loans continue to dominate, while real estate corporate loans account for a relatively small share but bear the majority of the credit risk.

Analysis of real estate loan exposures

Figure 1: Balance and Non-performing Ratio of Real Estate Corporate and Individual Housing Loans



Note: The above data are from the banks' 2025 annual reports; CCB, ABC, and BOC data are the data of their domestic branches. The corporate loan data of ICBC and individual loan data of CITIC Bank are the data of their domestic branches, while the rest are the banks' group-level data. Since CEB did not disclose the non-performing loan balance and non-performing ratio of its individual housing loans in its annual report, it has been excluded from this analysis.

By the end of 2025, the 11 commercial banks' total balance of real estate loans on their balance sheets reached RMB35.46 trillion, down 1.87% year-on-year. In terms of composition, individual housing loans accounted for 82.72%, and real estate corporate loans accounted for 17.28% of their real estate loans. The balance of individual housing loans was RMB29.33 trillion, down 2.10% year-on-year; the balance of real estate corporate loans was RMB6.13 trillion, down 0.74% year-on-year. In terms of lending volume, CCB firmly maintained its leading position in the sector, fully demonstrating its pivotal role in supporting the development and construction of first homes and better housing, as well as affordable housing, and in implementing the real estate financing coordination mechanism.

By the end of 2025, the 11 commercial banks' average non-performing ratio of individual housing loans was 0.73%, up 0.09 percentage points from 2024's 0.64%. Falling housing prices in some cities reduced collateral values, increasing credit risks on individual housing loans. The non-performing ratio of real estate corporate loans was 3.97%, up 0.29 percentage points from 2024's 3.68%. In terms of institution type, among the six major state-owned banks, PSBC has achieved significant results in managing risks associated with real estate loans and has the lowest non-performing loan ratio; Among the five joint-stock banks, CIB has an industry-leading non-performing loan ratio in its real estate corporate business, primarily due to its proactive efforts to reduce risk exposure, its continuous efforts in resolving

non-performing loans, and its strengthened real estate risk management and mitigation; PAB, meanwhile, has the most favorable non-performing loan ratio for individual housing loans among its peers, as PAB upgraded its risk model to achieve more precise customer segmentation, thereby promoting the allocation of high-quality assets and improving the asset quality of its individual loans.

In addition, three joint-stock banks, CMB, CITIC Bank, and PAB disclosed the real estate loan exposure of businesses bearing no credit risks, such as wealth management product investments, entrusted loans, commissioned sales of trusts and funds by cooperative institutions, and other businesses. Detailed data can be found below:

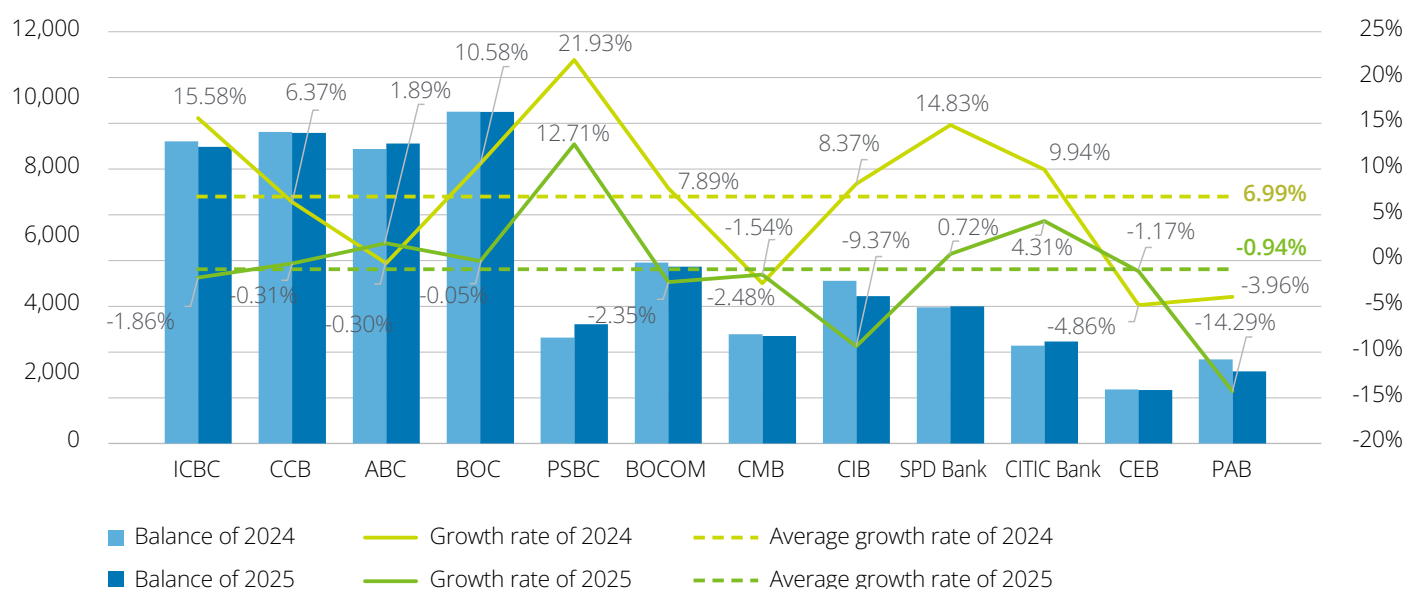
CMB	CITIC Bank	PAB
The balance of businesses bearing no credit risks (such as wealth management product investments, entrusted loans, and others) amounted to RMB178.312 billion, down 20.01% from the end of 2024	The balance of real estate corporate financing businesses bearing no credit risks (such as commissioned sales, wealth management product investments, and others) amounted to RMB97.158 billion, an increase of RMB4.783 billion from the end of 2024	The balance of businesses bearing no credit risks (such as wealth management product investments, entrusted loans, commissioned sales of trusts and funds by cooperative institutions, and others) amounted to RMB70.361 billion, a decrease of RMB5.518 billion from the end of 2024

Supply to real estate corporate loans declines, risk clearance and structural adjustment accelerate

In 2025, the volume of real estate corporate loans began to decline. The average decline rate in real estate corporate loans across 12 commercial banks was 0.94%. The specific details are as follows:

Figure 2: Real Estate Corporate Loans

Unit: RMB100 million



By the end of 2025, the aggregate balance of real estate corporate loans from 12 commercial banks amounted to RMB6.28 trillion, down 0.94% year-over-year, indicating a decline in overall industry lending. In terms of growth rates, among the 12 commercial banks, only the real estate corporate loan growth rate of ABC shifted from negative to

positive, and year-on-year declines in real estate corporate loans of CMB and CEB have narrowed. The growth rates of real estate corporate loans of the other nine banks all declined compared to the end of 2024. Among them, the four major state-owned banks, ICBC, CCB, BOC, and BOCOM, as well as CIB (a joint-stock bank), saw particularly

notable adjustments, with their growth rates shifting from positive in 2024 to negative in 2025. In terms of volume, CIB saw the most significant decline, with its real estate corporate loan balance decreasing by RMB44.4 billion year-on-year, down 9.37% from the end of 2024; CCB and BOC maintained relatively stable volumes. ABC, PSBC, SPD Bank, and CITIC Bank continued to achieve steady growth in their business volumes. Given its relatively low loan volume, PSBC posted the most impressive performance, its real estate corporate loan balance increased by RMB39.2 billion by the end of 2025, representing a year-over-year growth of 12.71%.

In 2025, the central government continued to systematically address the hidden debt risks of local governments through a package of policy tools, including the issuance of special refinancing bonds and the swap of existing hidden debts. The total amount of debt resolved for the year exceeded RMB3 trillion, significantly alleviating debt risks and continuously optimizing the debt structure. The effective

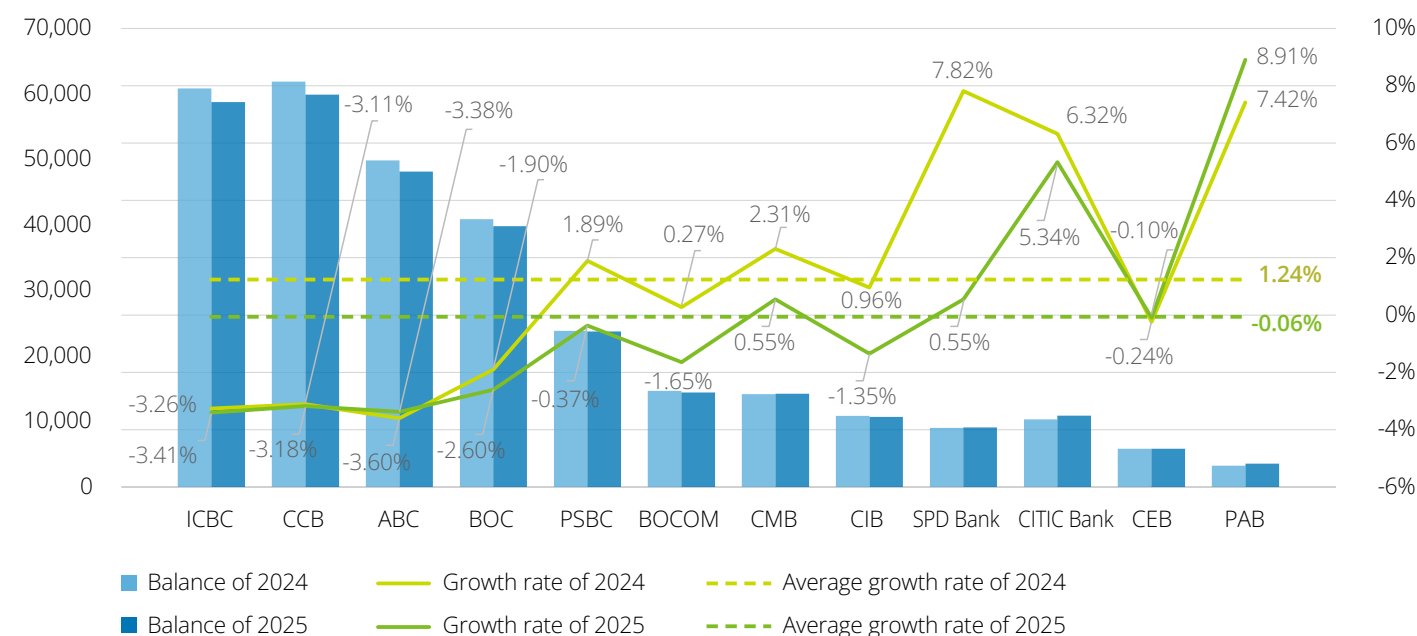
alleviation of local government debt pressures reduced reliance on land-related fiscal revenues, improved the credit environment for urban investments, and freed up some lending capacity for banks, thereby indirectly enhancing the availability of financing for real estate corporates.

During the 14th Five-Year Plan period, the urban real estate financing coordination mechanism established under the leadership of the National Financial Regulatory Administration, with a project "Whitelist" as its core tool, implemented targeted financing support and risk management, supplying a cumulative total of over RMB7 trillion in loans and supporting the delivery of nearly 20 million housing units. Currently, the mechanism has transitioned from emergency relief to institutionalized, long-term operation, forming a routine management framework characterized by "precise screening, closed-loop management, and inclusion of all eligible projects".

Banks' individual housing loans contracted, while joint-stock banks saw resilient growth

Figure 3: Individual Housing Loans

Unit: RMB100 million



Note: SPD Bank adjusted the disclosure criteria for individual housing loans and retroactively adjusted historical data in its 2025 Annual Report.

Driven by adjustments to interest rates on existing housing loans and an increase in early repayments, the individual housing loan business continued to face pressure. By the end of 2025, the balance of individual housing loans of the 12 commercial banks had shrunk by RMB629.9 billion, a decrease of 2.06%. All four major state-owned banks

saw year-over-year declines of 2 to 4 percentage points, but CCB maintained its leading position in the volume of individual housing loans, with a balance of RMB5.99 trillion at the end of 2025. This was due to the implementation of national policies and regulatory requirements to support residents' basic and diverse housing upgrade needs, thereby

contributing to the stable and healthy development of the real estate market. ICBC saw the largest decline, with a decrease of RMB207.3 billion, representing a year-on-year decrease of 3.41%. PSBC and BOCOM remained largely unchanged from the previous year.

Most joint-stock banks saw resilient growth in the individual housing loan business. Among them, CITIC Bank recorded the highest increase, up RMB55.1 billion from the end of the previous year, representing an increase of 5.34%; PAB recorded the largest percentage increase, up RMB29.1 billion from the end of the previous year, representing an increase of 8.91%. Those increases were primarily driven by the relaxation of housing purchase restrictions in first-tier cities in 2025 (such as the lifting of restrictions in suburban areas

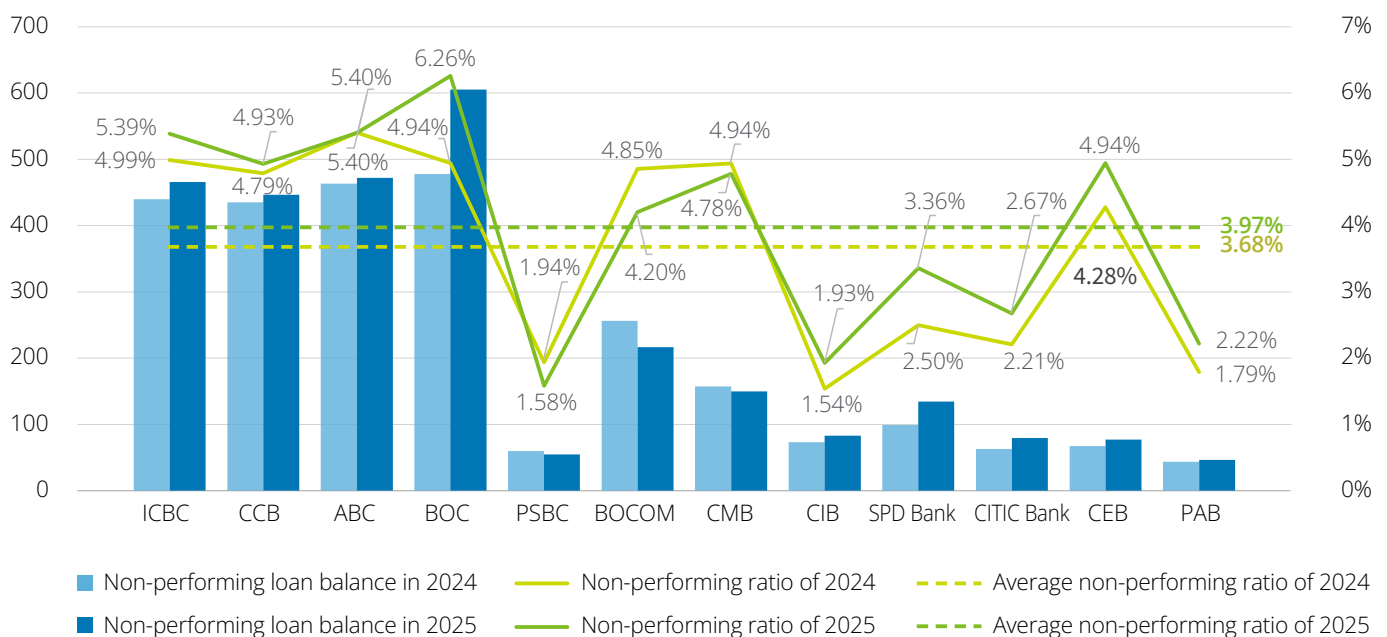
of Shanghai, Beijing, and Shenzhen) and the deepening of reforms to the housing provident fund system, which fully unleashed demand for housing upgrades.

Ongoing impact of corporate business risks; mortgage quality under marginal pressure

Since 2025, real estate policies have been continuously refined and targeted more precisely, with the policy focus shifting from phased relief measures to systemic support, with various measures being implemented rapidly and taking effect. Against this backdrop, the operating conditions of real estate corporates have improved, market operations have steadily recovered, and the asset quality of commercial banks' real estate loans has remained generally stable.

Figure 4: Non-performing Real Estate Corporate Loans

Unit: RMB100 million



Among the 12 commercial banks, the total balance of non-performing real estate corporate loans reached RMB283.091 billion, with a non-performing ratio of 3.97%, an increase of 0.29 percentage points from 3.68% at the end of the previous year. This was primarily due to the continued reduction in loan volumes, combined with the proactive and orderly exposure of existing risks. Among them, 8 banks saw an increase in their non-performing ratios. BOC saw the highest non-performing ratio, rising to 6.26%, up 1.32 percentage points from 4.94% at the end of the previous year. Although CIB's non-performing ratio

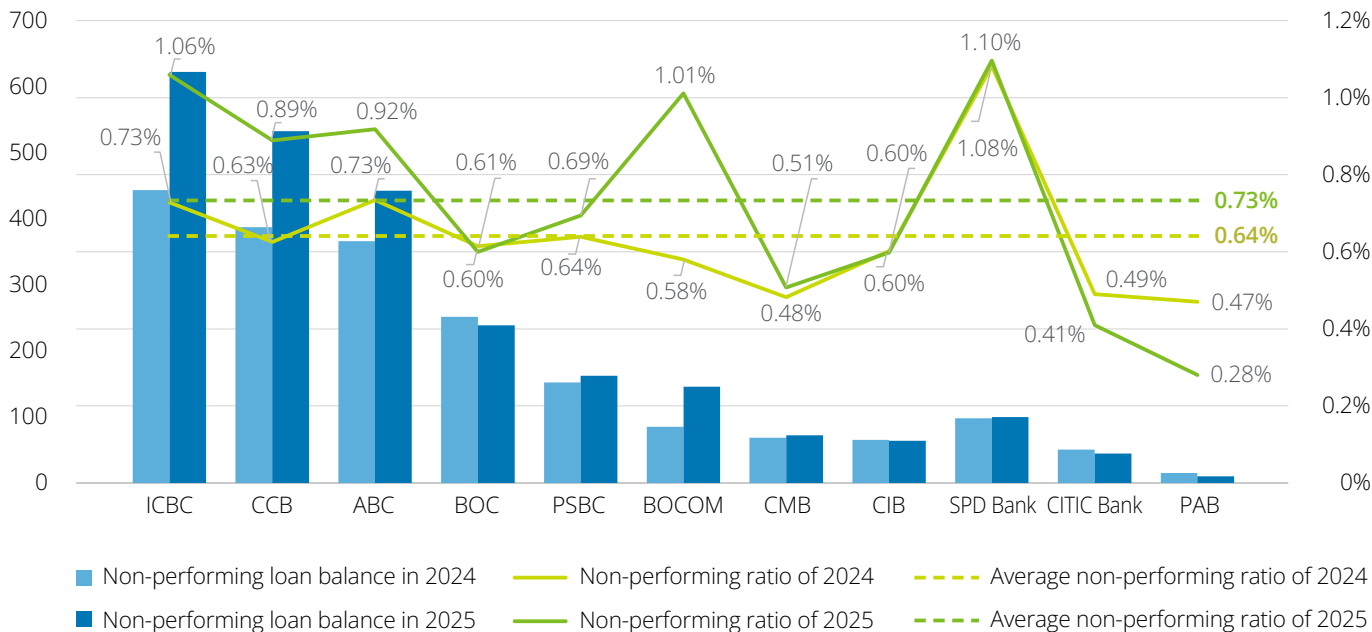
rose slightly, its risk level remained significantly better than that of comparable peer institutions, with the ratio kept below 2%, only slightly higher than that of PSBC. ABC's non-performing ratio remained unchanged from the end of the previous year. The non-performing ratios of PSBC, BOCOM, and CMB all declined. Overall, although some banks have achieved phased results by proactively implementing risk management and intensifying efforts to dispose of non-performing assets, more than half of the banks still saw their non-performing ratios rise, reflecting the negative spillover of risks from major real estate corporates continuing to spread.

In terms of changes in the balance of non-performing real estate corporate loans, the 12 commercial banks showed divergent trends. Among them, 9 banks saw an increase in their non-performing loan balances compared to the end of the previous year. BOC, SPD Bank, and ICBC saw particularly significant increases, with their non-performing loan balances rising by RMB12.720 billion, RMB3.510 billion,

and RMB2.612 billion, respectively, representing increases of 26.61%, 35.37%, and 5.94%, indicating a rise in risk exposure; BOCOM, CMB, and PSBC saw their non-performing loan balances decrease by RMB3.956 billion, RMB735 million, and RMB499 million, respectively, representing decreases of 15.45%, 4.67%, and 8.36%, indicating a marginal improvement in asset quality.

Figure 5: Non-performing Individual Housing Loans

Unit: RMB100 million



Note: Since CEB did not disclose the non-performing loan balance and non-performing ratio of its individual housing loans in its annual report, it has been excluded from this analysis

Among the 11 commercial banks mentioned above, the total non-performing individual housing loan balance reached RMB243.514 billion, with a non-performing ratio of 0.73%, up 0.09 percentage points from 0.64% at the end of 2024. This indicates that the asset quality of retail housing loans is facing marginal pressure. By bank, although PAB's business scale was relatively small, it recorded the most significant decline in its non-performing ratio, down 0.19 percentage points from the end of the previous year. The non-performing ratios of BOC and CITIC Bank also declined to varying degrees, and CIB's non-performing ratio for housing loans remained unchanged from the same period last year. The decline in the non-performing ratio was primarily attributable to the banks' strict implementation of central government and regulatory requirements and their proactive adaptation to the new realities of the real estate market. While optimizing financial products and promoting the steady issuance of loans for new homes, these banks

deepened cooperation with leading second-hand housing platforms, built service ecosystems, and strengthened channel risk monitoring and classification management to promote the orderly issuance of second-hand housing loans. The non-performing ratios of the remaining seven banks rose slightly. Among them, ICBC, BOCOM, and SPD Bank recorded non-performing ratios of individual housing loans exceeding 1%. BOCOM saw the most significant increase, rising 0.43% year-over-year; ICBC followed with a 0.33% year-over-year increase; and SPD Bank saw a slight rise of 0.02%, remaining essentially unchanged.

In terms of changes in the balance of non-performing individual housing loans, most commercial banks continued to show an upward trend and faced greater risk pressures. The six major state-owned banks collectively saw an increase of RMB45.924 billion in non-performing loans. Among them, ICBC and BOCOM saw their balances of

non-performing individual housing loans rise by more than 40%, indicating particularly significant pressure from non-performing loans. Performance among joint-stock banks was relatively mixed; the five sample banks saw a decrease of RMB693 million in their non-performing loan balances,

indicating that risks are generally declining. The non-performing loan balances of CITIC Bank and PAB decreased by RMB600 million and RMB538 million, respectively, both posting double-digit declines, indicating that risk mitigation efforts are beginning to bear fruit.

Gradually implementing national policy requirements and focusing on stabilizing the real estate market

Against the dual backdrop of ongoing exposure of risks in real estate loans and the implementation of new relief policies, some commercial banks have disclosed in their annual reports the achievements of high-quality development in their real estate businesses and specific risk management measures, and have provided further explanations and elaborations at their earnings briefings. In terms of business development orientation, real estate

operations of commercial banks will continue to adhere to policy guidelines, focus on credit risk prevention and control, and maintain a stable and orderly credit supply. At the same time, they will adapt to the trend of transformation and development in the real estate sector, optimize their business layout and operating models, and promote high-quality development in their real estate operations. The specific details are as follows:

Bank	High-quality development achievements	Risk control measures
ICBC	As of the end of the reporting period, the housing provident fund-backed loan business achieved high-quality development, with the housing provident fund centers' partnership coverage rate reaching 91%.	ICBC implemented macroeconomic control policies and financial regulatory requirements, improved the working mechanisms for preventing and mitigating risks in the real estate sector, supported new models for the real estate development, and promoted a virtuous cycle between the financial and real estate sectors. Focusing on the policy orientation of "control new supply, reduce existing inventory, and optimize supply structure" through city-specific policies, ICBC provided financing support for the acquisition of completed commercial housing units to be used as allocated for sale or rental affordable housing, thereby contributing to the stable and healthy development of the real estate market. ICBC adhered to the urban real estate financing coordination mechanism and provided financial support for key initiatives such as the acquisition of existing housing inventory for use as affordable housing, supported the construction of "quality homes", and helped build a new model for real estate development.
ABC	As of the end of the reporting period, individual housing loans issued amounted to RMB547.3 billion, with the housing provident fund centers' partnership coverage rate reaching 98%.	ABC increased credit support for the "Three Major Projects" construction, the "Whitelist" project under the urban real estate financing coordination mechanism, and "quality homes" construction, while meeting the reasonable financing needs of real estate corporates of different ownership types under the principle of equal treatment. ABC strengthened risk management for high-value customers through the "one policy for one household" and "one plan for one project" approach, enhanced the refined management of real estate projects, ensured the closed-loop operation of funds, and comprehensively utilized policy tools such as the "16 Financial Measures" to mitigate risks. ABC implemented requirements to stabilize the real estate market, actively adapted to changes in market supply and demand, supported high-quality urban renewal initiatives, met the housing needs of new urban residents and migrant workers, and helped to consolidate the trend of halting the decline and stabilizing the real estate market.

Bank	High-quality development achievements	Risk control measures
CCB	As of the end of the reporting period, CCB's domestic individual housing loans amounted to RMB5.99 trillion. CCB maintained its industry-leading position in terms of loan balances, loans granted during the year, and asset quality, further consolidating its dominant position in the individual housing loan market. Of this total, CCB's housing-related deposits amounted to RMB1.74 trillion, while individual housing loans backed by the housing provident fund amounted to RMB3.03 trillion.	CCB implemented national policies and regulatory requirements, supported residents' demands for first homes and diverse demands for better housing, and contributed to the stable and healthy development of the real estate market. By seizing structural opportunities in the real estate market and adopting city-specific policies, CCB refined its strategies for both the first and second housing, supported and promoted reforms to fundamental systems governing commercial housing sales and the housing provident fund system, thereby strengthening its competitiveness in the individual housing finance services market. With regard to entrusted housing finance business, CCB continued to improve the quality and efficiency of its housing provident fund services, focusing on expanding the coverage of the provident fund system and actively supporting pilot programs for provident fund contributions by flexibly employed individuals; increasing the issuance of provident fund loans; implementing people-oriented policies such as expanding the scope of provident fund usage; and enhancing its service capabilities across multiple online and offline channels.
CMB	As of the end of the reporting period, CMB's real estate loans totaled RMB283.114 billion, a decrease of RMB3.251 billion from the end of the previous year. This represented 4.10% of CMB's total loans and advances, down 0.27 percentage points from the end of the previous year. More than 85% of the balance of real estate development loans was extended in the urban areas of first-tier and second-tier cities, indicating a sound regional structure. The non-performing ratio for the real estate sector stood at 4.64%, a decrease of 0.10 percentage points from the end of the previous year. During the reporting period, new individual housing loans issued by CMB in first-tier and second-tier cities accounted for 91.14% of CMB's total new individual housing loans; the closing balance of CMB's individual housing loans in first-tier and second-tier cities accounted for 88.02% of its total closing balance of individual housing loans. The non-performing ratio for individual housing loans was 0.51%, up 0.03 percentage points from the end of the previous year.	While ensuring risks remain under control, CMB combined the differentiated characteristics of the real estate market to identify regional structural business opportunities, focusing on specific regions and selecting high-quality projects for business development. At the same time, CMB continued to implement the urban real estate financing coordination mechanism and supporting measures, expand the scope of "Whitelist" and improve its effect to meet the reasonable financing needs of real estate projects. CMB actively supported the development of a new model for the real estate sector, helping to stabilize the real estate market and promote high-quality development in the sector. CMB continued to reasonably differentiate between the risks of the project subsidiaries and those of the group's holding companies, continuously strengthened centralized risk management and post-investment and post-loan management, and strictly enforced the requirements for the closed-loop management of real estate loans, so as to effectively prevent and control project risks.
CIB	As of the end of the reporting period, CIB's real estate corporate financing balance totaled RMB691.892 billion, a decrease of RMB53.293 billion from the end of the previous year. The balance of non-performing loans was RMB30.016 billion, an increase of RMB1.022 billion from the end of the previous year; the non-performing asset ratio was 4.34%, up 0.45 percentage points from the end of the previous year. CIB strengthened its risk assessments of existing projects. For certain real estate projects that were unlikely to meet the criteria for delivery in the short term, CIB promptly downgraded their risk ratings, made adequate provisions for impairment losses, and directed operating institutions to accelerate risk disposal.	On the one hand, CIB seized new opportunities arising from reforms in urban and rural construction and the housing sector, focusing on high-quality regions, promoting the balanced development of various real estate segments, supporting the construction of "quality homes" and steadily advancing businesses such as housing rentals, industrial park operations, and urban renewal; On the other hand, CIB adhered to a work mechanism featuring coordination between Head Office leaders' supervision and agile teams. CIB actively applied policies such as the "16 Financial Measures", the urban real estate financing coordination mechanism, operating property loans, and loan extensions for "whitelist" projects. CIB took multiple measures to revitalize project value and, taking advantage of the favorable opportunity presented by the stabilization and recovery of the real estate sector, prudently pushed forward the resolution of business risks.

Bank	High-quality development achievements	Risk control measures
SPD Bank	As of the end of the reporting period, SPD Bank's annual real estate corporate loans remained largely stable. The balance of individual housing loans stood at RMB876.834 billion, representing an increase of 2.04% from the end of the previous year. Of this total, newly issued individual housing loans in the Yangtze River Delta, Bohai Rim, Greater Bay Area, the Sichuan-Shaanxi-Chongqing Economic Zone, and the central Yangtze River corridor accounted for 88.01% of SPD Bank's total newly issued individual housing loans. The non-performing ratio for SPD Bank's newly issued individual housing loans was only 0.10%. SPD Bank appropriately applied a combined mediation and litigation mechanism to provide tailored solutions for individual customers who were temporarily unable to repay but were not willful defaulters. For new business, SPD Bank implemented regionalized and differentiated business strategies, and strengthened the review of individuals' repayment capacities and background information. SPD Bank further strengthened channel management by establishing a partner institution management framework and enhancing end-to-end oversight of intermediaries in the secondary housing market and developers of new-home projects.	In the real estate corporate sector, SPD Bank closely followed policy guidelines and formulated internal action guidelines for risk resolution in accordance with the "16 Financial Measures" and other relevant policies, such as those governing loans for operating properties. SPD Bank strengthened group-wide coordination and, guided by these policies, continued to refine its group-wide mechanism for coordinating real estate risk resolution. SPD Bank reinforced the forward-looking guidance and strict enforcement of its credit policies, establishing a management mechanism comprising "a whitelist of high-quality customers and a blacklist of customers with potential risks". By implementing a list-based management system for key real estate groups, SPD Bank has achieved dynamic monitoring and precise profiling of customer risks. On this basis, SPD Bank strengthened horizontal coordination among departments as well as vertical integration across the head office, branches, and subsidiaries, forming a concerted effort to address risks at the group level and steadily advancing the resolution of risks associated with key real estate groups and projects. In the retail real estate sector, SPD Bank implemented the national policy requirements to "focus on stabilizing the real estate market". SPD Bank adhered to city-specific policies, upgraded its digital and intelligent service models, and innovated financial products and services to meet residents' demands for first home and diverse demands for better housing.

Commercial banks' real estate business outlook: market stabilization enhanced quality; supply-demand collaboration facilitated transformation

In 2025, China's real estate sector continued to undergo a period of profound adjustment, remaining in a critical phase of bottoming out and recovery. The sector's development logic shifted comprehensively from expansion through new construction to a focus on utilization of the existing housing inventory, exhibiting development characteristics marked by "operating under pressure alongside structural opportunities, and the simultaneity of transformation breakthroughs and model iteration." According to statistics from the National Bureau of Statistics, year-on-year declines in development investment, sales area, and new construction starts were 17.2%, 8.7%, and 20.4%, respectively. Despite being propped up by a combination of policy measures, the market has not yet fully shaken off downward pressure, and revitalizing existing inventory and optimizing underperforming assets have become key priorities for the sector's development. Driven by a slowdown in urbanization and changes in demographic

structure, regional market divergence has intensified. While asset values in first-tier cities and core urban clusters remain resilient, real estate corporates are generally focusing on higher-tier cities. In contrast, demands in third-tier and fourth-tier cities and county-level cities continue to shrink, and pressure to reduce inventory is particularly acute. On the policy front, the dual-track housing system, comprising "commercial housing and affordable housing", is being further deepened, serving as a key policy direction for the sector's development. On the one hand, the supply of affordable rental housing has been steadily expanding, with a focus on meeting the housing needs of new urban residents and young people. Closed-loop management mechanisms for affordable housing allocated for sale and shared-ownership housing are gradually being implemented, further solidifying the policy foundation for "ensuring basic needs and benefiting people's livelihoods". On the other hand, the commercial residential market is

accelerating product iteration, continuously upgrading toward improved-quality, green, and smart housing. The sector's growth drivers are gradually shifting, with urban renewal and the operation of existing assets emerging as new growth engines. According to the latest data from the Ministry of Housing and Urban-Rural Development, in 2025, 27,100 urban old residential communities nationwide were newly started for renovation, benefiting 4.99 million households, with a total investment of RMB133.2 billion.

Overall, the real estate sector has entered a stable, dual-track model where "policy-driven housing ensures basic needs, while market-driven supply promotes upgrades". In the medium to long term, companies with the ability to deeply penetrate core cities, innovate products, and manage existing assets will build differentiated competitive advantages during the sector's transformation and achieve sustainable development.

Challenges



The real estate sector's deep adjustment, coupled with a slow recovery in household income, has left overall individual financial resilience relatively weak. Affected by fluctuations in housing prices and delivery risks at some real estate projects, mortgage default rates in non-core cities have risen; at the same time, the wave of early repayments continues, and the loss of high-quality customers has led to a deterioration in banks' customer base. Combined with narrowing interest rate spreads in a low-interest-rate environment, the asset quality of individual housing loans remained under pressure throughout the year, with risks showing structural divergence.



Structural contradictions in the real estate market are pronounced, and the divergence in urban tiers is significant. Sales in first-tier and core second-tier cities have bottomed out and stabilized, with corporates sacrificing price for volume, while demand in non-core cities has contracted and market sentiment has weakened, leading to longer inventory turnover cycles. Coupled with difficulties in collecting sales proceeds and narrowing financing channels, real estate corporates are facing tight cash flows and significant liquidity risks.



Debt repayment pressures for real estate corporates are expected to persist in 2026. Although policies such as the "16 Financial Measures", the "Whitelist", and the use of special-purpose bonds to purchase existing housing inventory are providing a safety net, the recovery in sales has fallen short of expectations, the rebound in financing has been weak, and a concentration of previously extended debts is maturing. As a result, the overall debt-repayment capacity of real estate corporates will remain under sustained pressure. If the supply of relief funds is delayed and the stimulative effects on the demand side show diminishing returns, there is a possibility that credit risks in the sector could accelerate and spread across regions.

Opportunities and solutions



In line with the requirements of the urban real estate financing coordination mechanism, commercial banks should accelerate the expansion of the scope of “Whitelist” and the improvement of its effect, engage with high-quality housing development projects in a categorized and phased manner, support the reasonable financing needs of real estate corporates, and help restore market confidence. At the same time, they should make full use of policy support tools such as special-purpose bonds to revitalize existing assets, focus on the “Three Major Projects”, including the acquisition of affordable housing, rental of affordable housing, and the renovation of urban villages, and assist in facilitating second-hand housing transactions and urban renewal, thereby helping to create new, low-risk, and sustainable business avenues.



Commercial banks should implement differentiated strategies based on the varying tiers of urban development, dynamically adjusting loan eligibility criteria, credit limits, and pricing strategies. They should prioritize allocating resources to first-tier and strong second-tier cities while balancing social benefits with asset returns; at the same time, they should prudently control business expansion in third-tier and fourth-tier cities with high inventory levels.



Commercial banks should adhere to the principle of “proactive risk management” and ensure effective end-to-end control over investment and lending. Prior to lending, they should conduct a thorough review of real estate corporates’ actual liabilities and cash flows; during the lending process, they should strictly enforce closed-loop management and ensure funds are used for their intended purposes; and after lending, they should establish a high-frequency, dynamic risk monitoring system to closely track sales performance, changes in the value of collateral, and shifts in the creditworthiness of real estate corporates. By collaborating with leading real estate corporates and high-quality intermediaries, they can control credit risks associated with individual housing loans at the source, thereby promoting the stable and orderly operation of the real estate market and fostering high-quality, efficient development.

Conclusion

Charting a new course for transformation, strengthening financial safeguards

2026 will be a pivotal year for the Chinese real estate sector as it undergoes structural reshaping and tackles the challenges of transformation. Commercial banks will remain grounded in the fundamental role of finance in serving the real economy, coordinate the three objectives of stabilizing growth, optimizing structure, and preventing risks, continue to foster a virtuous cycle in the real estate market, strictly uphold the bottom line on financial risks, take proactive measures to strike a dynamic balance between stabilizing market expectations and promoting sector transformation, and accelerate the development of a high-quality financial service system tailored to the new development model of the real estate sector. While focusing on high-quality regions and sound entities to optimize credit allocation, commercial banks will strictly control market polarization and asset quality pressures, coordinate business transformation with risk prevention and control, and achieve steady and sustainable development through targeted services, structural adjustments, and comprehensive financial empowerment during the high-quality transformation of the real estate sector.

5



AI reshapes bank competitiveness as Fintech advances into the intelligent critical phase

In 2025, a new round of technological revolution, led by AI, is accelerating, reshaping the global economic structure and growth drivers. In the banking sector, the development of Fintech has moved from “infrastructure construction” to a new phase of “deep integration with intelligence”. Banks are fully implementing “AI+” initiatives, and large model technology is being rapidly deployed in areas such as marketing, customer service, operations, risk control, and management. Banks are leveraging the power of AI to reshape their competitive edge. It is worth noting that banks have extensively disclosed their AI achievements in their 2025 annual reports,

signaling that the digital transformation of the Chinese banking sector has entered a critical phase centered on intelligent decision-making and process reengineering. Underlying this trend is the sector’s ongoing pressure from narrowing net interest margins, making it imperative to leverage technology for greater efficiency and growth. Investment in AI is no longer merely a budget item for the technology department; rather, it has become a strategic investment directly linked to core business metrics such as cost reduction, efficiency improvement, risk control, and revenue growth.

Fintech input stabilizes, with AI driving a new round of strategic planning

Figure 1: Fintech Input and Growth Rate

Unit: RMB100 million

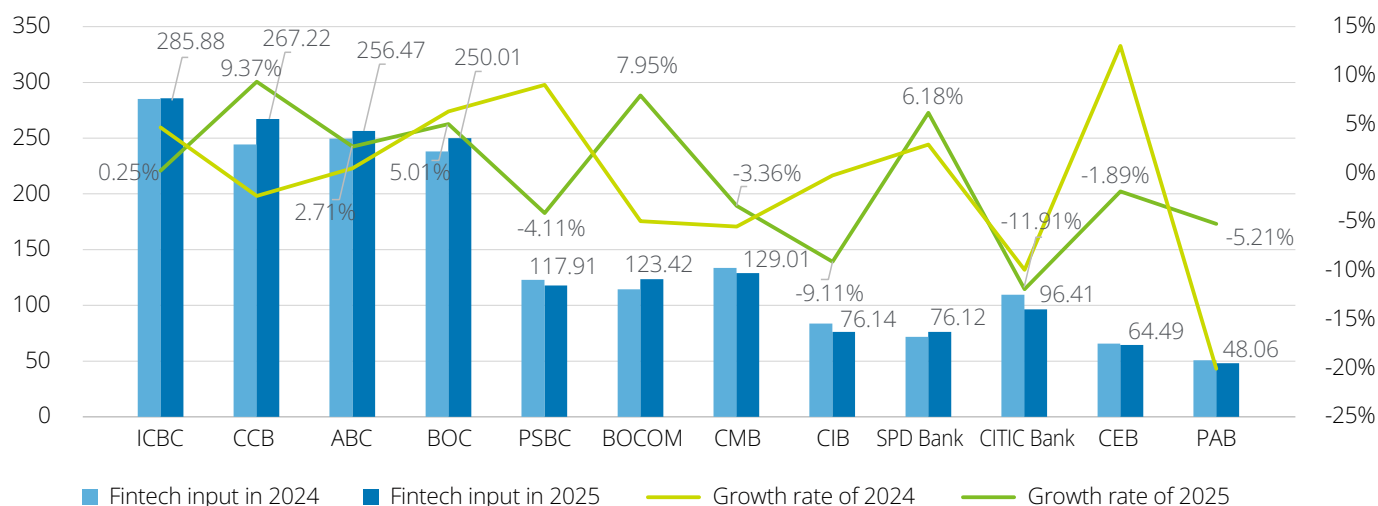
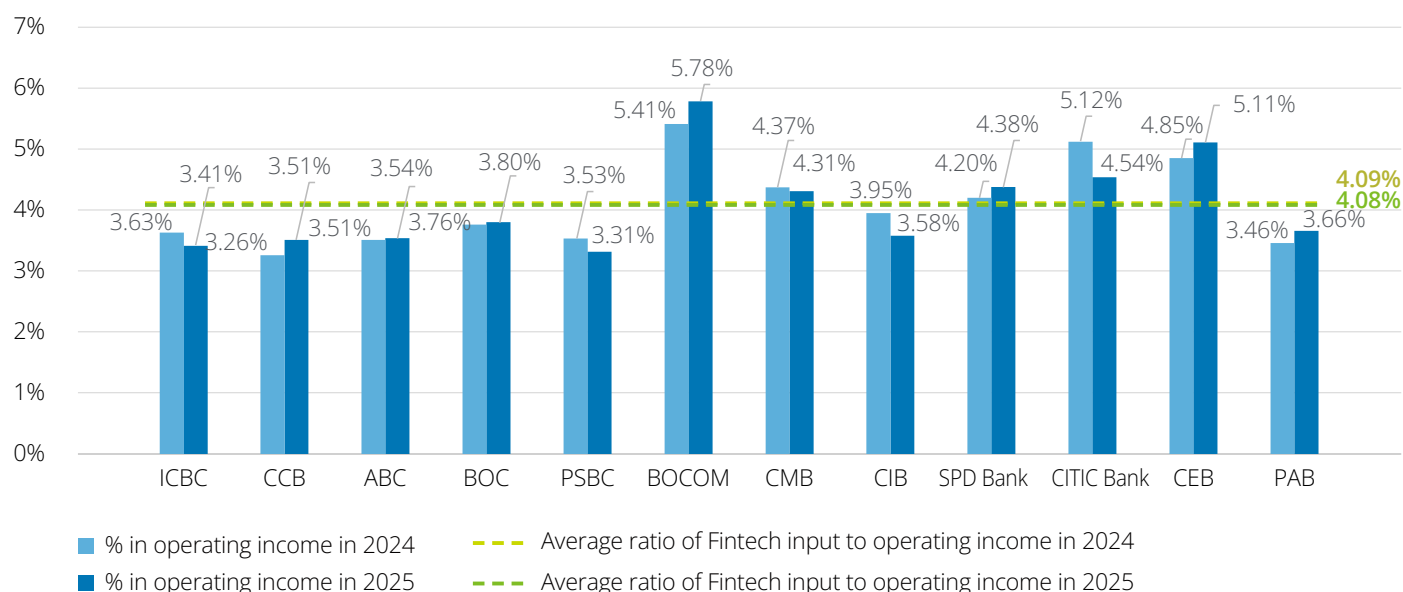


Figure 2: % of Fintech Input in Operating Income



According to the 2025 annual reports of major domestic commercial banks, Fintech input has stabilized, with major state-owned banks remaining the backbone of Fintech input. Among them, ICBC invested RMB28.588 billion in Fintech, continuing to lead the sector; CCB followed closely with RMB26.722 billion, while ABC and BOC invested RMB25.647 billion and RMB25.001 billion, respectively. All four major state-owned banks invested more than RMB25 billion in Fintech, respectively. Meanwhile, PSBC, BOCOM, and CMB all invested more than RMB11 billion in Fintech, respectively. In terms of the ratio of Fintech input to operating income, the average ratio of Fintech input to operating income for the 12 banks was 4.08%, remaining largely unchanged from the previous year. Among them, BOCOM had the highest ratio of Fintech input to operating income at 5.78%, up 0.37 percentage points year-over-year. BOCOM's Fintech input has exceeded 5% of operating income for three consecutive years, demonstrating long-term strategic commitment to Fintech input.

In terms of growth rates, the banks showed divergent trends. CCB and BOCOM increased Fintech input in

2025, with growth rates of 9.37% and 7.95%, respectively, reflecting their strategic determination to continue ramping up efforts in the Fintech sector; SPD Bank's Fintech input grew by 6.18%, continuing its upward trend and standing out among joint-stock commercial banks. In contrast, Fintech inputs from PSBC, CMB, CIB, and CITIC Bank slowed somewhat, with CITIC Bank experiencing the sharpest decline at 11.91%. Overall, the banking sector's Fintech input has transitioned from a period of rapid growth to a phase of stable development, with banks allocating resources in a differentiated manner based on their respective stages of digital transformation.

Banks' massive inputs in Fintech are primarily driven by breakthroughs in AI technologies, such as large models, which are prompting them to increase spending on computing infrastructure, AI platforms, and application scenarios. Behind these inputs, a more profound shift is taking place: AI has evolved from a forward-looking technology section in annual reports to a key metric for measuring a bank's core competitiveness.

The Fintech talent pool continues to expand, and the integration of business and technology is deepening and becoming more substantive

Against the backdrop of the in-depth advancement of "AI+" in 2025, banks have continued to step up efforts to build their Fintech talent pools. The number of Fintech professionals at ICBC has surpassed 40,000, maintaining its position as the industry leader; at ICBC, BOCOM, CMB, CIB, CITIC Bank, and CEB, the proportion of Fintech employees has all reached over 8%. Among them, CIB has 8,245 Fintech professionals, accounting for 13.88% of its total employees. CIB is the only one of the 12 banks with a Fintech workforce proportion exceeding 10%, holding the highest ratio and maintaining a leading position in the sector, which reflects CIB's strategic commitment to "technology enhancement".

SPD Bank recruited and cultivated more than 900 in-demand technology professionals, established five categories of specialized technology talent pools, advanced the "Thousand People Project" for technology professionals and built a highly skilled workforce with both financial expertise and technological proficiency. By building cross-disciplinary talent pools and deepening reforms to team governance frameworks, these banks are collaboratively promoting the deep integration of business and technology, ensuring that technology is no longer confined to middle/back office support but fully empowers front-end operations, thereby effectively realizing its practical value.

Bank	Fintech personnel
ICBC	The number of Fintech employees has surpassed 40,000 for the first time, accounting for 9.8% of the bank's total employees
CCB	30,085 digital financial employees, accounting for 7.95% of the bank's total employees
ABC	28,411 technology and digital operation management employees, accounting for 6.2% of the bank's total employees
BOC	19,987 technology and digital operation management employees, accounting for 6.37% of the bank's total employees
PSBC	IT headcount at the Head Office is 5,453, and that figure is 7,414 across the bank
BOCOM	9,782 Fintech employees, up 8.20% from the end of the previous year, accounting for 9.99% of the bank's total employees, up 0.55 percentage points from the end of the previous year
CMB	11,051 R&D employees, accounting for 9.09% of the bank's total employees
CIB	8,245 scientific and technical employees, up 5.17% from the end of the previous year, accounting for 13.88% of the bank's total employees
SPD Bank	Recruited and cultivated more than 900 in-demand technology professionals, established five categories of specialized technology talent pools, advanced the "Thousand People Project" for technology professionals
CITIC Bank	5,807 scientific and technical employees, accounting for 8.79% of the bank's total employees
CEB	4,294 scientific and technical employees, an increase of 308 employees from the end of previous year, accounting for 8.86% of the bank's total employees
PAB	PAB did not disclose its Fintech personnel data

Architectural restructuring accelerates the integration of business and technology; "AI+" becomes the strategic core

In addition to strengthening talent development, banks are simultaneously adjusting their technological architecture as part of their tech strategy, reinforcing the top-level design for Fintech advancement. In 2025, banks further deepened reforms of digital finance systems and mechanisms, optimize their technology governance structures, actively adapt to the development needs of the AI era, and drive the integration of business and technology from "simple superposition" toward "deep integration".

CCB formulated the "AI+" *Work Advancement Plan* to establish a full-chain, enterprise-level AI technology system covering data, models, computing power, and security. CIB fully leveraged the coordinating and guiding role of its Digital

Transformation Committee and optimized its technology governance structure, comprising "one committee, three departments, one company, and one institute" (one committee refers to the Digital Transformation Committee; three departments refer to Science & Technology Management Department, Data Management Department, Security Department/Anti Money Laundering Center, one company refers to CIB FINTECH, and one institute refers to CIB Fintech Research Academy), to provide organizational support for the integration of business and technology. SPD Bank established the AI Center to focus on building leadership in Fintech and AI, SPD Bank also released the *AI Implementation Action Plan (2026)*, elevating AI capability development to a strategic priority.

Bank	Technological architecture adjustments and system and mechanism reforms
ICBC	ICBC implemented the "AI+" Action, developed "ICBC Zhiyong", a large model technology system which was self-developed, and built a 100-billion-level elastic computing power pool for large models.
CCB	CCB improved its information technology management system and strengthened its work safety assurance system; formulated the "AI+" <i>Work Advancement Plan</i> to establish a full-chain, enterprise-level AI technology system covering data, models, computing power, and security.
ABC	ABC continued to enhance AI computing power, refine models and improve scenario-based operations, built the "ABC Smart+" platform. The technological operation system related to the distributed architecture was further completed. ABC continued to advance institutional reform in key areas, with the operational efficiency of the overall organizational structure continuously enhanced.
BOC	BOC developed the BOCAI large model platform and deployed a series of large models such as DeepSeek and Qwen3.
PSBC	PSBC platform development has been fully implemented, with the completion of 34 platforms across three major categories, i.e., business, application foundation, and technology. Six major business middle office platforms have been established, enabling shared and reusable capabilities. The layout of the data center has evolved from a "two-location, three-center" setup to a "two-location, four-center" setup. Taking "cloud-native plus AI-native" as the technology roadmap, PSBC developed a financial industry-level operational foundation.
BOCOM	BOCOM deepened reforms to its digital finance systems and mechanisms, and issued the <i>BOCOM's "Artificial Intelligence+" Action Plan (2025-2027)</i> , built a thousand-card heterogeneous computing power cluster and a hundred-billion-level large model algorithm matrix.
CMB	CMB proposed the "AI First" philosophy and steadfastly executed the principles of AI "priority", "leadership", and "pioneering". Leveraging the Fintech Innovation Project Fund, which focused on the strategic directions, AI development, and cutting-edge technology, CMB comprehensively promoted its construction of digital and intelligent capabilities. During the reporting period, 684 new Fintech innovation projects were launched, and 545 new projects were put into operation.
CIB	CIB optimized and improved an organizational structure for the technology line featuring "one committee, three departments, one company, and one institute", to strengthen the coordinated management and unified allocation of technology resources. CIB carried out the "AI+" initiative, established a leading group for the "AI+" initiative, and formulated and released the "AI+" <i>Action Plan (2025-2027)</i> .
SPD Bank	SPD Bank established the Direct Business Center and the AI Center, focusing on core areas such as Fintech, AI, and big data, and completed the on-premises deployment of 30 large models, including DeepSeek-671B. SPD Bank released the <i>AI Implementation Action Plan (2026)</i> , elevating AI capability development to a strategic priority. By building a "four-in-one" intelligent infrastructure encompassing computing power, algorithms, platforms, and knowledge, SPD Bank developed a large model application super system and a "five-horizontal, six-vertical, three-tier" enterprise-level knowledge base.
CITIC Bank	CITIC Bank established a coordinated development model integrating "large models + small models", upgraded its AI infrastructure and service capability framework. CITIC Bank continued to upgrade its "CITIC Brain" small model platform, and more than 660 intelligent data models were launched. More than 20 mainstream domestic open-source models, including DeepSeek, were deployed across scenarios, delivering over 120 application scenarios.
CEB	CEB deepened its technology strategy, strengthened its digital infrastructure, and positioned technology as the core driver of the bank's development. CEB was fully committed to building a new-generation distributed core system. CEB built a unified computing platform to integrate various types of computing power, and built an AI development system that covered overall coordination, scenario-based application, and technical support. CEB developed a large model intelligent assistant matrix featuring "9 work positions × 10 general capabilities".
PAB	PAB completed the upgrade of key systems. The new generation of distributed core system was successfully put into production, achieving full-stack localization and supporting its future business development demands, featuring "billions of accounts and billions of daily transactions". PAB built a unified computing power platform to achieve centralized scheduling and efficient management of various computing power resources. PAB continued to promote the integration and optimization of resources and improve the R&D and management efficiency.

Fintech integrates into real-world scenarios and takes center stage

As Fintech continues to evolve, banks have made new progress and breakthroughs in deeply integrating digital technology with financial services. In recent years, banks have placed greater emphasis in their annual reports on disclosing quantifiable outcomes of Fintech inputs, shifting from a focus on “how much was invested” to demonstrating “what was achieved”. This marks a pivotal transition in the banking sector’s Fintech development, from input-driven to value-driven.

Intelligent services

In 2025, the in-depth application of large model technology shifted banking services from being driven by preset rules to being driven by intelligent interactions, resulting in a qualitative leap in the customer experience. CCB’s AI large model technology empowered 398 application scenarios

across the group on a large scale. ICBC launched “ICBC Zhiyong”, a financial large model with hundreds of billions of parameters. Among joint-stock commercial banks, SPD Bank developed over 200 AI-powered scenarios and was rated “Excellent” in the People’s Bank of China’s first “Evaluation of the Quality and Efficiency of Fintech Services”, ranking first among joint-stock commercial banks. AI is reshaping the entire customer service journey in the banking sector.

As the range of Fintech applications continues to expand, banks are exploring new approaches to digital storytelling. For example, at its 2025 annual earnings conference, CIB presented its key messages for the first time using “digital twins” of its executives, showcasing the results of the bank’s digital transformation through highly realistic scenarios.

Bank	Intelligent services
ICBC	ICBC launched “ICBC Zhiyong” a financial large model with hundreds of billions of parameters, continued to upgrade its “GINO (Gong Xiao Zhi)” smart service system for customers, and introduced the “SmartEnjoy+ 1.0” new version of its mobile banking app. With this new version, ICBC provided scenario-based financial services to customers through intelligent conversational interactions. At the same time, leveraging the digital strategy AI capabilities of the “Zhike” platform, ICBC comprehensively enhanced the quality and efficiency of maintaining the entire customer base and also retaining key customer groups and long-tail customers, precisely meeting their diverse financial service needs.
CCB	CCB continued to upgrade comprehensive, ecosystem-based service platforms such as “CCB Huidongni”. CCB’s AI large model technology empowered 398 application scenarios across the group on a large scale, deeply penetrating key areas such as wealth management, inclusive finance, risk management, and technology R&D. CCB expedited the development of the personal AI assistant for retail business and equipped personal account managers with a “digital twin”.
ABC	ABC built the “ABC Smart+” platform and promoted the large-scale application of “AI+”, launched the 11.0 version of mobile banking, and built AI-native services. Based on large model technology and enterprise-level knowledge bases, ABC developed and launched the intelligent Q&A platform for investment banking.
BOC	BOC deployed a series of large models such as DeepSeek and Qwen3, and built more than 400 intelligent assistants to empower key business functions including credit, marketing, operations, office work, customer service, and technology.
PSBC	PSBC’s large model development covered more than 260 application scenarios across the front, middle, and back office. It opened up 24 general AI capabilities of 10 major categories to all branches. PSBC enabled intelligent inquiry and response for bond underwriting transactions with the bond trading bot “You Xiaobao”, and improved the efficiency of transaction execution by over 95%. The bill trading bot “You Xiaoying” improved the execution efficiency by approximately 10 times, with the cumulative transaction volume exceeding RMB1 trillion.
BOCOM	BOCOM continuously promoted its “BOCOM On-cloud” brand, and further promoted the “Artificial Intelligence+” initiative. The application of AI expanded in scope and scale, empowering key areas such as precision marketing, risk prevention and control. BOCOM built a “cloud outlet, cloud teller, and cloud butler” system based on remote video services, and met customers’ digital service needs through a new mode of screen-to-screen online service.
CMB	CMB upgraded the “Xiao Zhao” intelligent services to enhance the intelligent interaction experience, expanding from the wealth management scenario to full-scenario services covering deposit, loan, and remittance; launched the “Xiao Zhao Voice Control” function, continuously improving customer service quality and efficiency. CMB developed an intelligent wealth manager for financial institution customers called “Zhaoyingtong AI Xiao Zhao”, the one-time transaction success rate reached 99.40%.

Bank	Intelligent services
CIB	CIB systematically advanced the large-scale implementation of AI in areas such as customer service, marketing operations, risk management, and R&D efficiency enhancement, built over 160 AI open capabilities, and launched more than 260 AI application scenarios. AI digital customer service achieved 7×24 intelligent interaction across 13 types of channels, serving customers more than 55 million times during the reporting period; AI marketing strategies reached over 21.39 million customers cumulatively.
SPD Bank	More than 200 AI application scenarios have been deployed across five key areas: intelligent marketing, intelligent operations, efficient operations, digital and intelligent risk control, and intelligent management, cumulatively generating over 300 person-years of new quality productive forces. The super platform, SPD Bank Inclusive Finance, upgraded its digital customer manager services by incorporating intelligent features such as enterprise health diagnostics and journey-based customer engagement, achieving an online query resolution rate of over 95%. SPD Bank was rated "Excellent" in the People's Bank of China's first "Evaluation of the Quality and Efficiency of Fintech Services", ranking first among joint-stock commercial banks.
CITIC Bank	CITIC Bank established a coordinated development model integrating "large models + small models", developed the "Thousand Enterprises, Thousand Profiles" intelligent financial solution powered by large models to enhance the frontline marketing quality and efficiency. The AI wealth advisor "Xiao Xin" served over 7.91 million customers in total, with the service satisfaction exceeding 95%. CITIC Bank also implemented large model applications covering scenarios such as "AI + Business Management", "AI + Operations", and "AI + Risk Control".
CEB	CEB optimized the "Sunshine Consultant" digital investment research and advisory platform, upgraded features such as the "wealth ladder", fund portfolio assessment, and wealth management income statements, and launched an AI-powered Q&A assistant that enabled interactive product inquiries, report interpretation and diagnostic analysis, thereby boosting the efficiency of frontline professional services. During the reporting period, wealth managers served customers for over 2 million person-times on the "Sunshine Consultant" platform.
PAB	PAB upgraded the operation model of "AI+T+Offline" (AI banking+Telebanking+Offline banking) to provide 24/7 "accompanying" services to nearly 8.6 million public customers. PAB leveraged Artificial Intelligence Generated Content (AIGC) to assist in creating service content and enhanced the customer experience through tailored interactions.

Intelligent operations and risk control

In addition to empowering front office operations, Fintech has also significantly improved operational efficiency in banks' middle and back offices, reduced the proportion of manual processing, shortened processing cycles, and enhanced risk identification capabilities through technologies such as large models, RPA, and intelligent agents. In 2025, banks disclosed quantifiable results achieved in operational automation and intelligent risk control. For example, AI digital employees of ICBC handled the workloads of 55 thousand persons a year. Currently,

78% of remote services are handled by AI. PSBC launched a post-lending risk monitoring large model in its credit risk monitoring system, identifying approximately 19% additional customers at risk previously undetected by the early warning system. Among joint-stock commercial banks, CIB took the lead in building an intelligent consumer protection review platform built natively on large models, achieving 100% coverage of internal publicity channels, with 66,000 materials reviewed. The intelligent consumer protection review platform won multiple external awards.

Bank	Intelligent operations	Intelligent risk control
ICBC	ICBC's AI digital employees handled the workloads of 55 thousand persons a year. Currently, 78% of remote services are handled by AI, effectively alleviating the pressure on human service staff while significantly improving service response times and standardization.	Intelligent risk control covering nearly 300 decision-making scenarios for risk control, intensified the panoramic monitoring of risks and prevented risk spillovers.
CCB	CCB developed and promoted an "AI-powered problem-solving assistant for employees at service outlets", which covered 98.73% of the outlets. CCB further advanced the centralized automation of anti-gambling and anti-fraud transaction limit adjustments and account unlocking operations, with the proportion of counter-based processing reduced to below 5% and kept at a low level, effectively alleviating the operational pressure of service outlets. The big data platform processed an average of 111.68 billion records per day; it utilized intelligent technologies such as large models and RPA to improve the quality and efficiency of centralized operations.	The whole-process AI application for credit approval led to significant efficiency gains and achieved risk management effectiveness. The distributed micro-services platform handled an average of three billion transactions on a daily basis.
ABC	ABC applied large models to assist in intent detection, enhancing the customer service robot's ability to analyze and understand complex customer queries. The time required for counter transactions had been reduced by more than 20%, and over 70% of survey reports were generated automatically, significantly reducing the workload for manual operations and improving operational efficiency.	Embedded AI into the entire process of centralized operations, and promoted digital risk management and control to reduce burden, improve efficiency, and control risk.
BOC	BOC's intelligent R&D assistant recorded nearly 10,000 users, including over 6,900 monthly active users, with a code adoption rate of over 30%, helping improve Fintech efficiency. BOC continued to push boundaries in the application of new technologies. It leveraged enterprise-level robotic process automation ("RPA") to reduce the workload of primary-level institutions, deploying RPA in over 3,600 scenarios and executing an average of nearly 300,000 tasks per month. BOC continuously enhanced its image-recognition capabilities and supported the recognition of over 270 bills and certificates, with an average daily call volume of 1.5 million requests, effectively improving operational quality and efficiency.	BOC continued to advance the development of its digital risk management system, built new credit risk management system components and established a group-level credit risk monitoring and early warning system covering all customers, statistical standards and processes. BOC improved its anti-fraud system and enhanced the flexibility and timeliness of fraud risk monitoring to fully safeguard the security of customers' funds.
PSBC	PSBC rolled out large model recognition for five types of non-standard documents in the operational center system, with the recognition rate exceeding 80% and the percentage of automated information capture exceeding 90%. PSBC fully launched the new-generation funds clearing system, significantly expanded the scope of centralized processing, and achieved millisecond-level response for core businesses.	PSBC launched a post-lending risk monitoring large model in its credit risk monitoring system, identifying approximately 19% of additional customers at risk previously undetected by the early warning system. PSBC launched an AI-powered recognition and analysis large model for real estate-related certificates in its guarantee management system, achieving an accuracy rate of above 97%. It also upgraded its loan use violation detection model in the compliance management system, improving the violation identification rate by about 29%. A "large model-assisted intelligent analysis tool" was launched in the anti-fraud system, boosting the efficiency of centralized anti-fraud review by over 20%.
BOCOM	BOCOM deployed more than 2,500 AI-powered intelligent assistants, which covered a wide range of operational scenarios and supported the intelligent processing of operational workflows. By leveraging AI capabilities, the volume of transactions requiring counter authorization has been reduced by more than 60% year-over-year, effectively freeing up human resources and improving operational efficiency.	Creating a digital risk management system covering the entire group, all processes, all scenarios, and all products.

Bank	Intelligent operations	Intelligent risk control
CMB	CMB created “Ying Xiao Zhu”, and enabled scenario applications, including digital assistant, operational knowledge Q&A, intelligent business review, intelligent service training simulation, and intelligent analysis of risk events. Working efficiency improvement resulted in saving 15.56 million working hours. In the research and development area, CMB deepened the application of “Encoding Assistant”, a large model-assisted encoding product, evolving from Copilot model towards Agent model. This achieved coverage of over 97% of research and development personnel, effectively improving encoding efficiency.	CMB continuously improved the intelligent assistants, namely, “Risk Assistant” and “Compliance Assistant” and AI toolsets, and continued to enrich its Risk-management System (GRS) ecosystem. The corporate loans newly granted through the online risk control platform amounted to RMB579.790 billion, representing a year-on-year increase of 44.03%. For the risk line, CMB created “Risk Assistant” and embedded it into operational workflows to achieve intelligence-driven risk management.
CIB	Among joint-stock commercial banks, CIB took the lead in building an intelligent consumer protection review platform built natively on large models. The “Agility Campaign” explored the integration of requirements and development, and achieved a 33% reduction in the average delivery cycle of IT projects. The AI coding assistant covered 90% of R&D personnel; intelligent assistants for morning and evening meetings covered over 1,500 departments and business outlets.	CIB continuously upgraded digital risk control models and the end-to-end risk monitoring system, and refined the dedicated evaluation system for “technology flow”, with the approved amounts under this system reaching RMB1.15 trillion. Intelligent risk control capabilities were embedded across the entire credit process, including credit due diligence, approval and post-lending management.
SPD Bank	In intelligent marketing, SPD Bank developed capabilities such as customer profile analysis, marketing plan generation, and product recommendation. These capabilities supported workflows for both customer managers and product managers, as well as the marketing of key products in inclusive finance and transaction banking. As a result, customer matching accuracy exceeded 95%, and complex decision-making cycles were reduced to minutes, effectively delivering expert-level intelligent marketing services.	Digital and intelligent risk control achieved a leapfrog upgrade, with the establishment of a forward-looking, proactive, enterprise-level risk monitoring system and a systematic, intelligent risk management toolkit. By leveraging technologies such as the Sky Eye system, satellite remote sensing, and AI, SPD Bank realized a profound transformation from manual controls to technology-driven controls and further to intelligent controls, thereby building a solid technological foundation for high-quality development.
CITIC Bank	The business-technology integration 2.0 showed significant results, with the demand compilation efficiency improved by over 30%. The New-Generation Acquiring Platform (Nebula) achieved full online processing of the acquiring business, increasing the merchant onboarding efficiency by seven times. CITIC Bank advanced the automatic and smart upgrade of its financial market business, with the overall trading automation rate reaching 83%. AI big models applied in the development of quantitative strategies, and the strategy development efficiency improved by 3 times. In the area of “AI + operations”, CITIC Bank leveraged the combined capabilities of small and large models to more than double the efficiency of its centralized operations.	In the area of “AI + risk control”, the coordinated application of large and small models assisted CITIC Bank in the formulation of risk resolution plan reports tailored for each branch, and enabled intelligent attribution analysis of institutional risk management. In the credit approval process, a virtual credit review expert was introduced to utilize large model technology to automatically generate review reports and support decision-making in credit approval.
CEB	CEB developed a large model intelligent assistant matrix featuring “9 work positions × 10 general capabilities”, generating over 37,000 credit investigation reports to help improve the efficiency of credit investigation. The testing cycle was shortened by 31%. CEB ensured the on-schedule launch of 679 task force demands, provided comprehensive, timely and automated business analysis for 39 branches and more than 1,170 sub-branches.	CEB leveraged automated and intelligent technologies to help branch management stay informed about business operations in a timely manner, analyze key performance indicators, and address risk management issues, thereby effectively driving cost reductions and efficiency improvements.
PAB	More than 390 large model application scenarios were implemented, the R&D cycle for intelligent agent applications was shortened by over 60% year-on-year. The runtime speed of a single complex calculation in the financial markets' valuation and risk measurement system increased by 4 to 6 times.	PAB established an AI-powered risk middle office to centrally build and embed intelligent agents into risk management processes, enhancing efficiency in end-to-end credit processing and risk decision-making; upgraded the “Hui Xiao Miao” audit model, and developed an intelligent multi-dimensional review agent.

Opportunities and challenges for Fintech

In 2025, breakthroughs in large model technology have injected strong momentum into the development of Fintech in the banking sector. From the full-scale implementation of the “AI+” initiative to the large-scale deployment of financial large models, banks’ digital transformation is shifting from “quantitative change” to “qualitative change”. In the future, the direction of Fintech development in the banking sector will place greater emphasis on the deep integration of large models with business scenarios, demonstrating broad application prospects in areas such as agent ecosystems, multimodal AI applications, and enhanced reasoning capabilities. In this rapidly evolving Fintech transformation, while AI demonstrates immense potential, it has also entered a critical phase requiring greater wisdom and prudence. Banking institutions need to work together to address the following challenges:

1. Data-wise: Large models require far more high-quality training data than traditional AI; banks need to further strengthen their foundations in data governance, standardization, and compliance, while reforms to public data management mechanisms are urgently needed to support the development of financial AI;

2. Technology-wise: The issues of hallucinations and lack of interpretability in large models remain key challenges. At the same time, AI technology has provided cybercriminals with more powerful attack methods, so banks need to establish red-and-blue team exercise mechanisms for the AI era to effectively safeguard financial security;

3. System-wise: AI requires rapid iteration and optimization in real-world business scenarios, and banks need to further promote the integration of R&D and operations, moving from “Business and Technology Integration 1.0” to “Business and Technology Integration 2.0” and beyond;

4. Market-wise: The widespread adoption of large models may exacerbate homogenization in financial decision-making. Banks need to promote the organic integration of specialized use scenarios, proprietary data, and large model technology to establish their own areas of strength and achieve competitive differentiation;

5. Society-wise: AI will reshape the human resources structure of banks. Banks should systematically enhance their employees’ AI literacy, foster a cultural environment that encourages innovation and embraces failure, and ensure that human capital keeps pace with the evolution of technology.

Conclusion

The digital transformation of banks has gradually moved from the development phase to the harvest phase, and Fintech is gradually moving from the previously invisible back office server rooms to the forefront, where everyone can see it. At this critical juncture in the transition to intelligentization, whoever can best integrate AI technology with business scenarios will gain a competitive edge in the future.

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Hot topics

- 1 ● Embarking on the new journey of the “15th Five-Year” Plan: Strategic choices for China’s banking industry in the AI Era
- 2 ● Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening
- 3 ● Leveraging technological empowerment, and steering the future with intelligence: Insights into digital-intelligence transformation trends of risk compliance and internal control in the financial sector
- 4 ● Special campaign on financial data security under the “Four Batches” accountability framework: Policy interpretation and response strategies
- 5 ● Preventing risks and forging breakthrough strategies for retail credit: Practice and implementation of the barbell strategy
- 6 ● Standing at the New Starting Point of the “15th Five-Year” Plan: Challenges and Responses of VAT Legislation to Bank Tax Management

7

Upgrading national standard: In-depth data value exploration through DCMM transition in commercial banks

8

Navigating trends with foresight: Analysis of key points of the global internal audit standards and study on adaptive strategies for internal audit in financial institutions

9

Transitioning from scale expansion to value elevation: Pathways for high-quality development of cross-border financial business in Chinese-funded banks

10

Analysis of key points of the *Measures for the Administration of Information Disclosure of Asset Management Products of Banking and Insurance Institutions*

11

In-depth analysis and practical implementation of the new *Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)*

1 Embarking on the new journey of the “15th Five-Year” Plan: Strategic choices for China’s banking industry in the AI Era



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AI is redefining the production paradigms of banking. The convergence of three pivotal shifts—persisting declines of inference costs of large models, accelerated popularization of open-source ecosystems, and growing autonomous execution capabilities of agent systems across multi-step tasks—is propelling AI from an “auxiliary tool” to “digital employees”. This transformation now influences operational decision-making in core processes such as credit approval, risk early warning, and financial analysis.

Aligned with the national strategy articulated in the “15th Five-Year” Plan, which elevates the “AI+” Action alongside “accelerating the development of a financial powerhouse”, the AI-driven transformation of China’s banking sector transcends institution-level technological adoption. It now represents an imperative quantum leap in capabilities. Nevertheless, the current transition faces a central dilemma: the misalignment between the pace of technological advancement and organizational absorptive capacity.

- 1 **The misalignment between technology and organization constitutes the principal contradiction:** Most banks exhibit significant lag in organizational restructuring, process redesign, and governance system development relative to the pace of technological evolution.
- 2 **AI risks have escalated from a technical issue to a governance challenge:** As algorithms engage in critical processes such as credit approval, valuation, and report generation, the responsibility delineation, process transparency, and explainability emerge as mandatory imperatives.
- 3 **The roles of professional service institutions necessitate synchronous upgrading:** Their future value extends beyond independent verification of outcomes to assisting banks in establishing auditable, explainable, and accountable AI governance capabilities.

“AI+” Action: Reshaping the banking sector not only relying on enhanced models

A prevalent misconception in current discussions on AI development in banking sector is the overemphasis on model performance, which diverts attention from the transformation of production paradigms at a deeper level confronting the industry. Against the backdrop of full

implementation of the “AI+” Action under the “15th Five-Year” Plan, this transformation manifests primarily in three dimensions: scaled application, agent-based systems, and institutional mechanisms.



Scaled application of AI is accelerating

As model training efficiency improves and inference costs decline, an increasing number of banks possess the capacity to deploy AI technologies. Some small and medium-sized banks are leveraging open-source models to establish AI middle platforms for branch services, customer consulting, or internal operational support, while large banks have achieved large-scale application in domains such as programming assistance and knowledge management. According to the *Evaluation Report on the Application Scenarios of Large Models in China’s Banking Sector* issued

by Shaqiu Think Tank in March 2026, applications of large models in banking sector, at present, cover 20 core scenarios including customer service agent assistance, intelligent document processing, and data analytics and insights, with leading banks accelerating the penetration depth from “auxiliary office functions” to “core business operations”. This signifies that the banking sector’s pivotal challenge has shifted from “whether to adopt AI” to “how to ensure stable AI application at scale”.

Hot topics

1. Embarking on the new journey of the “15th Five-Year” Plan: Strategic choices for China’s banking industry in the AI Era

 AI is evolving from a standalone tool to a process-integrated system

Historically, banks predominantly deemed large models as question-answering assistants or text-generation tools. With advancements in workflow orchestration and agent technologies, AI has acquired the capability to execute multi-step tasks. Operating within a defined set of rules, AI now can retrieve data, perform operations, and generate business recommendations. This evolution signifies the

emergence of “digital participant” in banking processes. As documented in Google Cloud’s *2026 AI Agent Trend Report*, AI agent adoption in financial services is accelerating rapidly, reconstructing core business chains of financial institutions from fraud detection and claims processing to investment portfolio rebalancing.

 Institutionalization will determine AI’s long-term value realization

The “15th Five-Year” Plan emphasizes a holistic approach to development and security, strengthening AI governance frameworks to foster a conducive, safe, and equitable development environment. Enhanced model capabilities do not automatically transfer accountability. Given the financial sector’s stringent requirements for risk control, regulatory compliance, and information security in the financial industry,

AI deployment must be grounded in explicit governance architectures. Banks must delineate: which tasks are suitable for automation, which scenarios warrant AI assistance, and which decisions necessitate ultimate human accountability. Only by institutionalizing these principles into systems and processes can AI applications evolve from technical capacities into sustainable operational capabilities.

Table 1: Evolutionary Stages of AI in the Banking Sector and Corresponding Governance Requirements

Evolutionary Stage	Core Capability	Typical Banking Applications	Governance Requirements
Rule-based automation	Scripted process execution	Reconciliation bots, regulatory reporting	Basic compliance
Machine learning	Pattern recognition & probabilistic prediction	Credit risk modeling, fraud detection	Model validation
Large language model	Natural language understanding & generation	Investment research assistants, compliance aides	Content review
AI agent	Objective-oriented planning & execution	Fraud response, preliminary credit review, portfolio rebalancing	Complete governance framework

 Building a financial powerhouse: The critical thresholds banks must surmount are organizational and risk governance

If the previous phase of AI application among banks could be characterized as “extensive piloting”, the pivotal imperative during the new journey of accelerating financial powerhouse development under the “15th Five-Year” Plan is “profound restructuring”. In spite of the essentiality of

technological readiness, success hinges not on the models themselves, but on banks’ willingness to reconstruct processes, positions and governance structures so as to enhance services for the real economy, technological innovation, and public welfare.

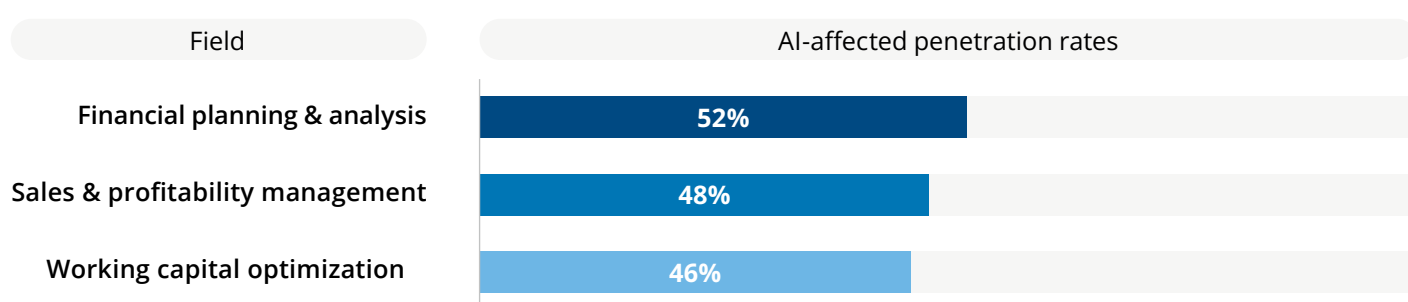


A significant gap persists between theoretical capacity and practical absorption capacity

A pronounced gap persists between the “theoretical capabilities” of AI and the “practical absorption capacity” within the banking sector. Deloitte’s observation in the *State of AI in the Enterprise* applies equally to banking: while employee demand for AI tools has risen significantly, institutions capable of advancing pilots to production environments remain limited. Current practices in China’s banking sector reveal a distinct pattern: frequent yet

fragmented pilots in front-office functions (e.g., robo-advisor, intelligent customer service), contrasted with lagging end-to-end process restructuring in mid- and back-office domains, particularly finance, operations, risk, and compliance. Crucially, these latter functions govern fund flows, information streams, and control mechanisms, precisely where AI-driven standardization, enhanced transparency, and intelligent upgrading are most imperative.

Figure 1: Deloitte’s *Finance Trends 2026*: The Three Finance Domains Most Profoundly Impacted by AI



Source: Deloitte’s *Finance Trends 2026* (Samples: 1,326 global financial leaders)



Human-AI task allocation in high-risk scenarios demands finer granularity than any other industry

This constitutes the most fundamental distinction between banking and other sectors. For standardized, high-frequency tasks with low external risks, such as document generation, preliminary compliance verification, and rule-based data processing, banks may elevate automation levels; for tasks involving credit approval, asset valuation or consolidation

scope determination which require cross-departmental deliberation or entail reputation risks or external liabilities, AI is better positioned to serve as an “analytical assistant” and “secondary reviewer” to provide “anomaly alerts” rather than acting as the final decision-maker.



The talent challenge has escalated from a “training initiative” to an “operational priority”

As AI assumes substantial responsibilities in preliminary reviews, data verification, and report drafting, career progression pathways for junior positions are narrowing. AI’s impact on the labor market may manifest not as mass layoffs, but through constricted entry points, shortened advancement trajectories, and accelerated attrition of entry-level roles relative to mid-senior positions. Should this progression discontinuity persist, banks may find out in a few years that they are confronting a critical deficit

in core talent capable of really comprehending business operations, understanding risks, and exercising judgment in complex scenarios despite near-term cost reductions in frontline positions. During the “15th Five-Year” Plan period, the banking sector must synchronize talent strategy with AI deployment, transitioning from a “displacement-focused” approach to redesigning roles that amplify human capabilities and reconstruct essential competencies.

Data governance and trustworthy AI: The underlying logic of digital finance in the “15th Five-Year” Plan period

The “15th Five-Year” Plan period will witness data factorization and assetization emerge as pivotal drivers of financial market innovation. With data formally established as a new factor of production, the financial industry increasingly recognizes it as a core resource on par with

capital and labor. This shift signifies that data is no longer merely an operational byproduct, but rather a strategic resource subject to rights confirmation, price setting, and market circulation.

Data governance serves as the prerequisite for AI capability development

Deloitte’s Trustworthy AI Report indicates that the quality ceiling of AI models is determined by their training data quality. Although the financial sector possesses vast historical data reserves, transforming “raw data” into “high-quality datasets” necessitates rigorous processes including scenario anchoring, source validation, cleansing & annotation, and testing & review. Consequently, there

remains a significant shortage of genuinely usable high-quality financial datasets. Persistent “data silos” further compound this challenge, as financial institutions exhibit reservations regarding cross-institutional and cross-sectoral data sharing due to commercial competition, privacy security concerns, and compliance risks.

Algorithmic fairness serves as the foundational safeguard for digital financial inclusion

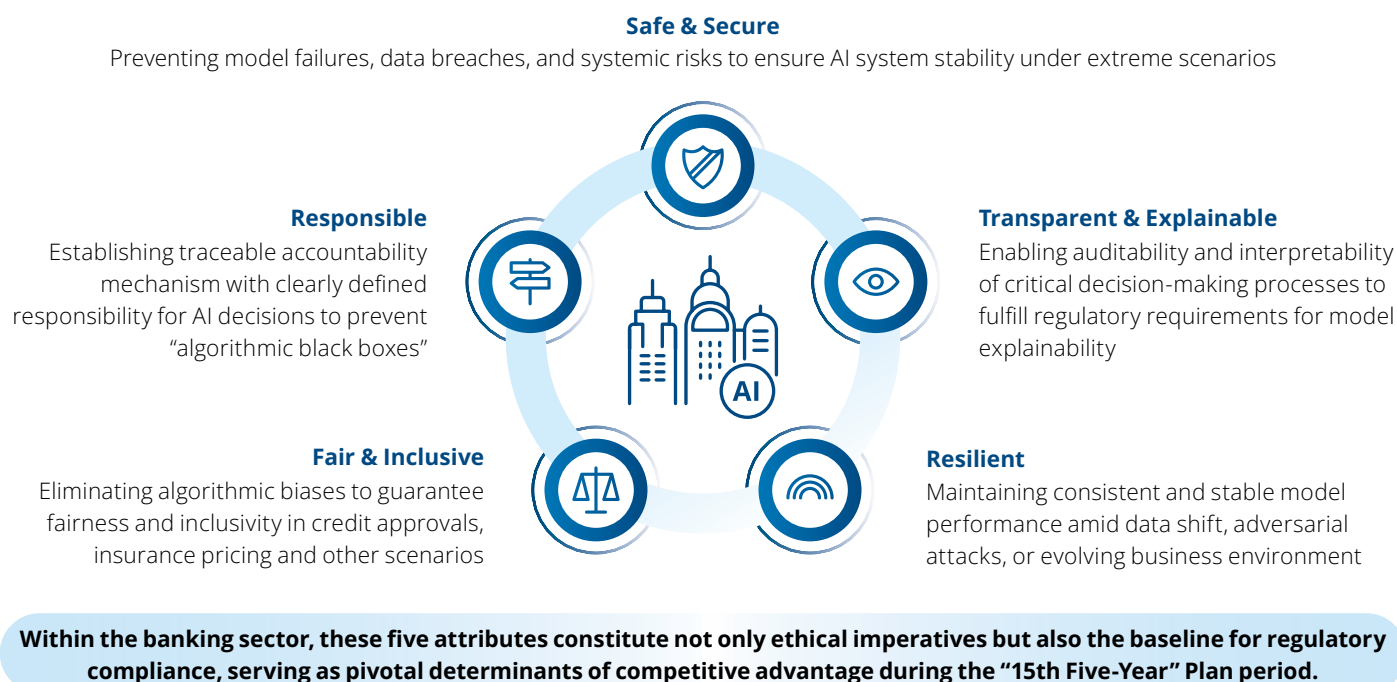
AI models trained on historical data inevitably inherit societal biases embedded in past records. In scenarios such as credit approval and insurance pricing, latent discrimination against specific regions, occupations, or genders may be replicated and even amplified through automated algorithms. China’s *Personal Information Protection Law* and *Measures for the Administration of the Credit Reference Business* explicitly mandate algorithmic fairness. During the “15th Five-Year” Plan period, while

advancing AI empowerment, the banking sector must integrate algorithmic fairness assessments into routine governance mechanisms to ensure financial service inclusion remains uncompromised by algorithmic bias. This constitutes both a regulatory compliance requirement and an embodiment of the fundamental principle to adhere to the “people-centered approach” in building China’s financial strength.

The trustworthy AI framework serves as the core pillar of banking AI governance

Deloitte’s Trustworthy AI Framework posits that genuinely sustainable AI must embody five core attributes: Safe & Secure, Responsible, Transparent & Explainable, Fair & Inclusive, and Resilient. In the banking sector, these five attributes constitute not merely ethical imperatives but the baseline for regulatory compliance. During the “15th

Five-Year” Plan period, as the national AI governance system continuously improves, banks that pioneer the establishment of Trustworthy AI operational mechanisms will secure more advantageous competitive positions amid an increasingly stringent regulatory environment.

Figure 2: Deloitte’s Trustworthy AI Framework: Five Core Attributes for Banking AI Governance

■ Restructuring of responsibilities of audit and professional service institutions

Following the integration of AI technologies into core banking processes, the audit environment for external auditing and professional service institutions is undergoing transformation. During the “15th Five-Year” Plan period, alongside the comprehensive strengthening of financial regulation and high-quality development of digital finance, the role of professional service institutions will be significantly accentuated.

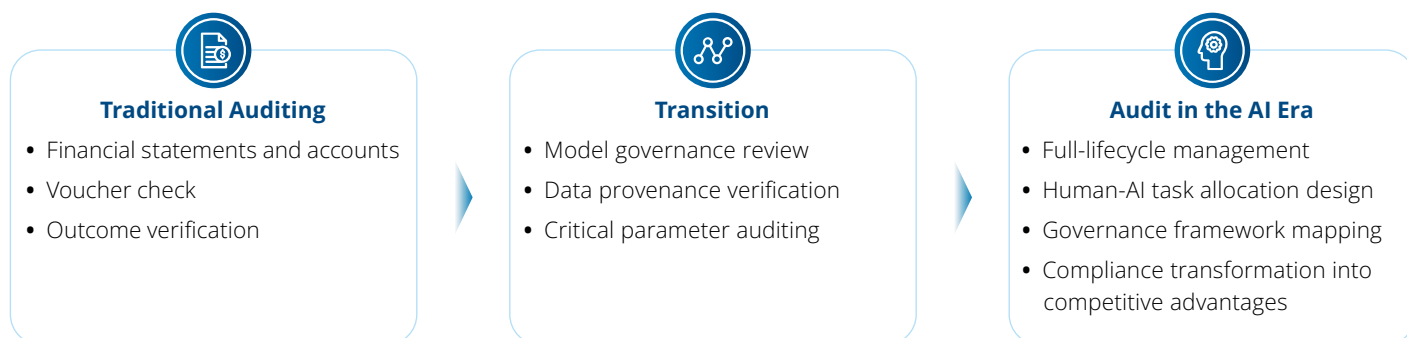


Audit target extends beyond financial outcomes to algorithmic processes

Traditional auditing primarily centers on financial statements, accounts, and vouchers. However, with AI’s deep integration into business operations, auditors must increasingly scrutinize the procedural genesis of outcomes, encompassing model governance structures, data provenance, critical parameter configurations, and

human review mechanisms. During the “15th Five-Year Plan” period, as AI penetrates into core banking functions deeper and deeper, audit boundaries will progressively expand beyond conventional financial auditing to encompass model auditing, data auditing, and algorithmic auditing.

Figure 3: The role of professional service institutions evolves from post-facto verifiers to governance capacity-building partners



The role of professional service institutions evolves from post-facto verifiers to governance capacity-building partners

Banks advancing AI transformation require not merely technical support but establishment of systematic capabilities in governance frameworks, risk management, and organizational synergy. Professional service institutions can leverage methodologies, practical experience, and independent perspectives to foster mature AI governance systems, including: Assisting banks in building full-lifecycle management mechanism of AI model to achieve full-process control from demand development, training and testing, deployment and operation to assessment and decommissioning; helping banks in human-AI decision boundaries design to define scope of AI-autonomous tasks

and manual-intervention triggers; and building a relationship mapping AI governance frameworks to regulatory requirements so as to transform compliance obligation to competitive advantages.

From this perspective, external auditing in AI Era transcends financial verification to become an integral component of governance systems of financial institutions. Through sustained oversight and professional support, they will empower banks to balance technological innovation with risk control, advancing steadfast development under the financial powerhouse framework of the “15th Five-Year” Plan.

Conclusion

The “15th Five-Year” Plan provides unprecedented strategic undergirding for AI transformation in China’s banking sector while imposing elevated governance requirements. AI applications are becoming foundational competencies within the banking sector, whose value hinges not merely on model parameter scales but on banks’ capacity to convert technological capabilities into governable and sustainable operational advantages.

Accelerating technological development imposes increasingly stringent demands on governance systems. Banks can genuinely convert technological advantages into long-term competitiveness only when AI deployment rests upon clear accountability mechanisms, transparent procedural architectures, and robust risk controls. During the “15th Five-Year” Plan period, China’s banking sector must concurrently achieve the following four capacity-building objectives:



Scalability Capacity

Integrating AI from marginalized tools into mainstream operational frameworks to achieve stable cross-business scaled application



Governance Capacity

Precisely delineating Human-AI task allocation boundaries in high-risk scenarios, clarifying AI-autonomous scopes and manual intervention triggers



Data Governance Capacity

Leveraging data factorization as the foundation and privacy-preserving computation as the safeguard to dismantle data silos and enhance data quality



Value Co-creation Capacity

Balancing algorithmic fairness with financial inclusion to transform compliance into a source of competitive advantage

From an industry perspective, banks and professional service institutions must jointly propel this transformation: banks enhance AI application capabilities through organization-process restructuring, while professional service institutions bolster banking governance systems via audit-consulting support. Such synergy will constitute a critical safeguard for the steadfast development of China’s banking sector in the AI Era and its contribution to advancing the digital economy.

2 Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening



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The “15th Five-Year” Plan period (2026-2030) marks a pivotal quinquennium for China’s economic transition from high-speed growth to high-quality development, representing a decisive cycle wherein local city commercial banks shall decisively depart from traditional scale-expansion models and establish sustainable development capacities. As a financial backbone rooted in regional areas and serving the local real economy, local city commercial banks persistently confront multifaceted pressures including persistent interest margin compression, industry competition restructuring, and intensifying regulatory oversight, necessitating urgent transformation of conventional operational paradigms. Leveraging the strategic reshaping and transformation under the “15th Five-Year” Plan as a catalyst, local city commercial banks must consolidate developmental foundations through local-centric positioning, enhance operational efficacy via digital-intelligent empowerment, stabilize profit base through structure optimization, fortify operational bottom lines with robust risk control and compliance, and empower regional industrial upgrading and urban development through in-depth financial cultivation, so as to forge a distinctive, differentiated, and steadfast high-quality sustainable development pathway, comprehensively solidifying the core competitive edge for triumphing in the “15th Five-Year” Plan era.

Cycle resharing and transformation amidst pressures—External environment and core challenges

During the “15th Five-Year” Plan period, China’s economy will enter a deep development stage characterized by “stable growth, structural adjustment, and transformation upgrade”. The financial regulatory system will continue to be refined amid further intensifying market competition trends and complex external environment in which pressures coexist with opportunities and challenges go hand in hand

with hopes. Core challenges are concentrated in four principal areas: the macro-planning orientated constraints, the sustained pressure from net interest margins narrowing, the reshaping of the industry competitive landscape, and the continued tightening of capital constraints and compliance requirements.

1 Regional divergence and industrial restructuring generate structural pressures under the New Normal of the macroeconomy

During the “15th Five-Year” Plan period, China will undergo a shift of economic growth bracket, with the growth engine transitioning from reliance on traditional real estate and infrastructure toward advanced manufacturing, modern services, and distinctive real-economy industries. Regional economic divergence is set to intensify further. Core urban agglomerations will be buoyed by sufficient momentum for industrial upgrading, whereas certain underdeveloped regions will face mounting pressure from industrial hollowing-out and sustained population outflows. Given that the operational fundamentals of city commercial banks

are closely intertwined with local economic conditions, such regional divergence in economy will directly transmit to asset quality, customer base, and growth space. Meanwhile, as local government debt management continues to tighten, the traditional model of government-bank cooperation is expected to undergo restructuring. City commercial banks must therefore deepen their presence in local markets in a timely manner and extend financial services into comprehensive solutions for local industrial chains, which places entirely new demands on their industrial expertise and customer engagement capabilities.

2 Sustained net interest margins narrowing causes a fundamental shock to traditional profit model

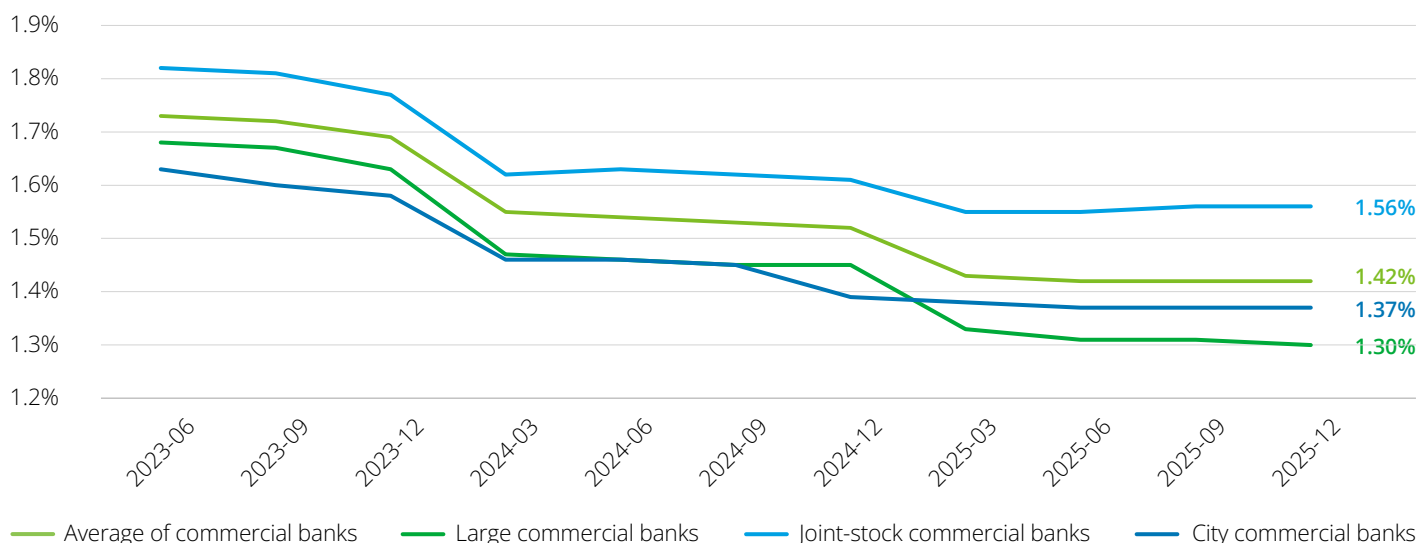
Under the sustained deepening of interest rate marketization reform coupled with policy imperative to channel financial resources toward the real economy, net interest margins across China’s commercial banks have entered a prolonged period of contraction. By the end of 2025, the net interest margin across all commercial banks in China had declined to 1.42%, lower than warning line of breakeven threshold at 1.8% for multiple consecutive quarters, with city commercial banks recording net interest margins significantly below the industry average. During the “15th Five-Year” Plan period, the structural scarcity of

high-quality assets is unlikely to abate, sustaining downward pressure on asset yields, while intensified competition for deposits keeps liability costs rigidly elevated. The narrowing of net interest margins is now an irreversible, long-term structural reality. In the past, city commercial banks uphold the core profit model built on scale-driven expansion to boost interest margin income, which become untenable. Blind expansion not only fails to generate more profit but exacerbates capital erosion and accumulates credit risk. Profit model restructuring is extremely urgent.

Hot topics

2. Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening

Figure 1: Net interest margin in the banking sector has stabilized temporarily



Source: National Financial Regulatory Administration

3 Comprehensive competitive landscape restructuring in banking sector imposes sustained pressures on market space of city commercial banks

Homogeneous competition in the banking sector is evolving into tiered and staggered stock-game competition, placing city commercial banks under a dual squeeze. On the one hand, major state-owned banks and nationwide joint-stock banks persistently penetrate county-level and inclusive markets, leveraging their funding cost advantages, technological capabilities, and brand strength to directly erode city commercial banks' traditional local customer base. On the other hand, internet banks and private banks

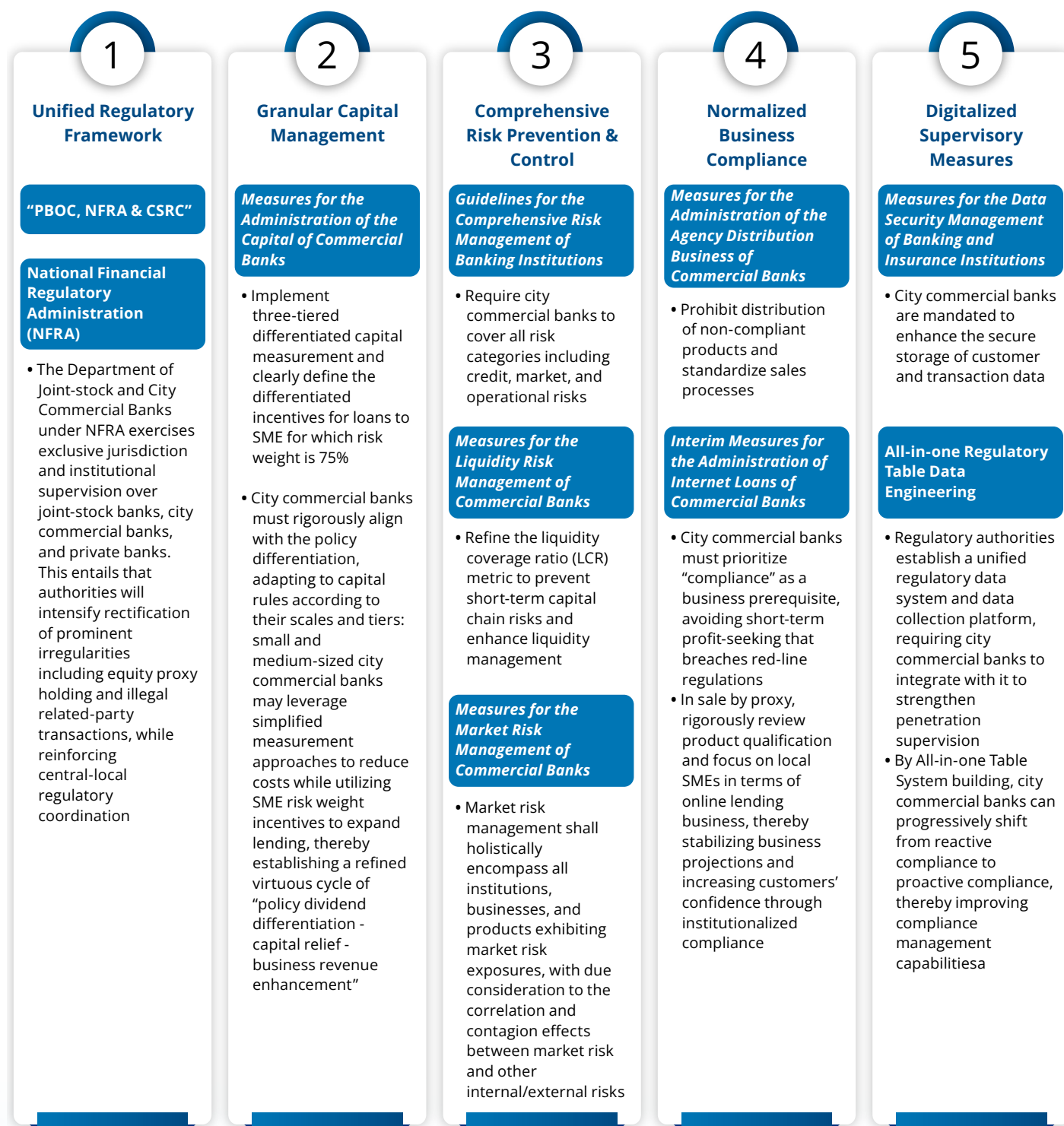
capture retail and SME long-tail clientele through digital prowess, while deepened capital market reforms accelerate financial disintermediation, further draining large corporate customers. Amidst this multidimensional compression, city commercial banks face intensifying predicaments of strategic limbo. Persisting with homogenized imitation will inexorably constrict their operational space, necessitating the establishment of irreplaceable differentiated positioning.

4 Capital constraints and compliance requirements are intensified increasingly under stringent and normalized supervision

It is persistent trend to deepen financial regulation toward “stringent, meticulous, and substantive” oversight. The comprehensive implementation of the *Measures for the Administration of the Capital of Commercial Banks* imposes elevated requirements for banks' capital measurement and risk control. City commercial banks, however, universally confront narrow capital replenishment channels and insufficient endogenous capital accumulation capabilities, rendering capital constraints a core inhibitor to business expansion. Concurrently, regulatory authorities are progressively amplifying scrutiny over corporate

governance, connected transactions, credit allocation, and consumer rights protection. The frequency and magnitude of regulatory penalties have surged significantly, exposing compliance risks accumulated through past extensive operational practices. City commercial banks must transition from “reactive compliance” to “proactive compliance” management, establishing robust corporate governance and comprehensive risk-compliance frameworks. This constitutes the fundamental prerequisite for stable development during the “15th Five-Year” Plan period.

Figure 2: Corporate Governance System Optimization



Hot topics

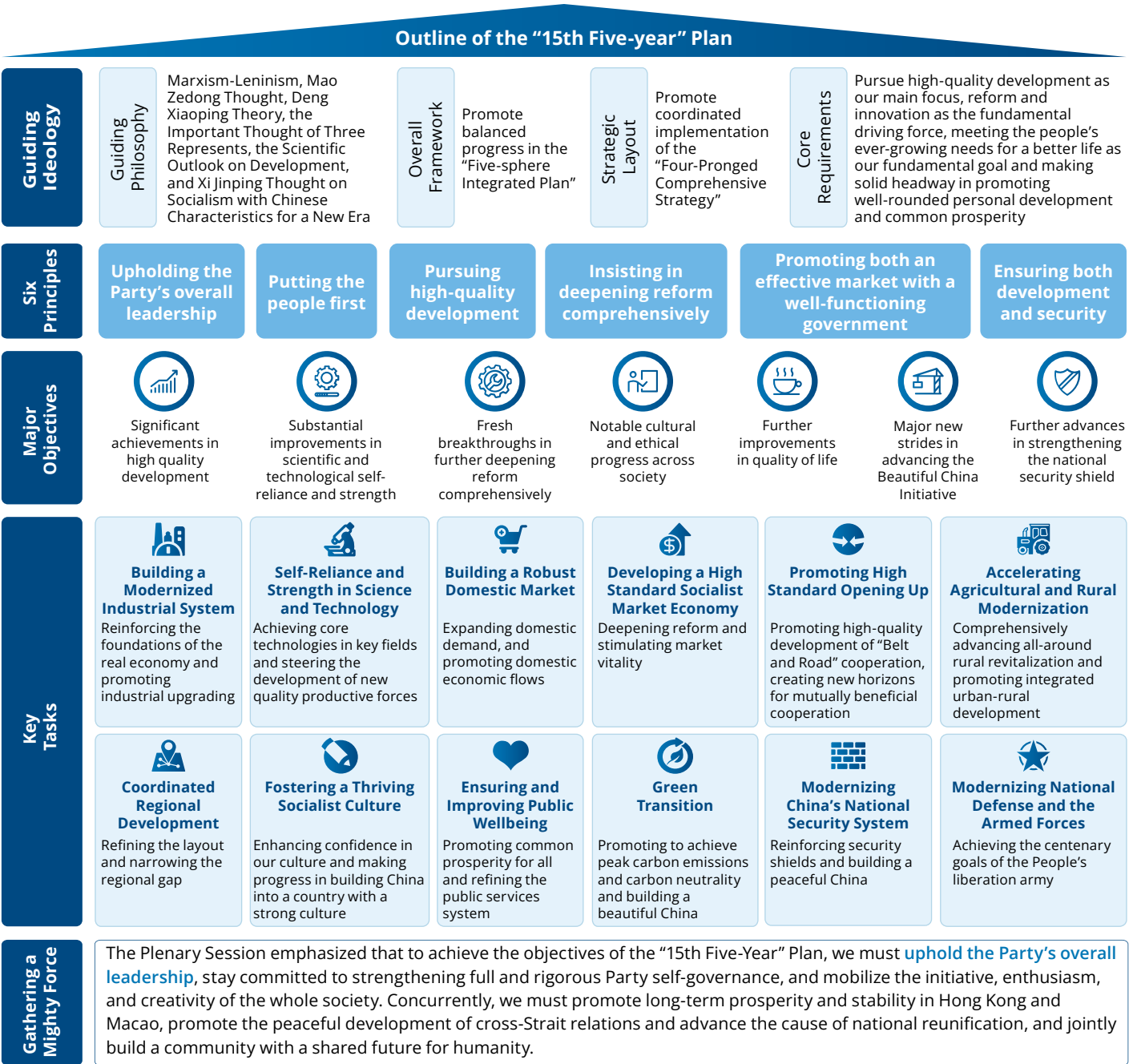
2. Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening

Drawing strategic blueprints and harnessing new opportunities—Key prospects of the China’s “15th Five-Year” Plan

Charting the course to navigate a new journey under the “15th Five-Year” Plan

From 20 October to 23 October 2025, the Fourth Plenary Session of the 20th Central Committee of the Communist Party of China reviewed and approved the *Proposal of the CPC Central Committee on Formulating the 15th Five-Year Plan for National Economic and Social Development*, charting a grand blueprint for China’s development from next five years (2026 to 2030). The plan unequivocally centers on high-quality development as the theme, deepens supply-side structural reform as the main line, leverages reform and innovation as the fundamental driving force, and aims to meet the people’s growing aspirations for a better life. It provides top-level guidance and strategic pathways for city commercial banks to plan layouts, transform and upgrade, deeply rooted in the local market, and achieve steady, sustainable growth during the “15th Five-Year” Plan period.

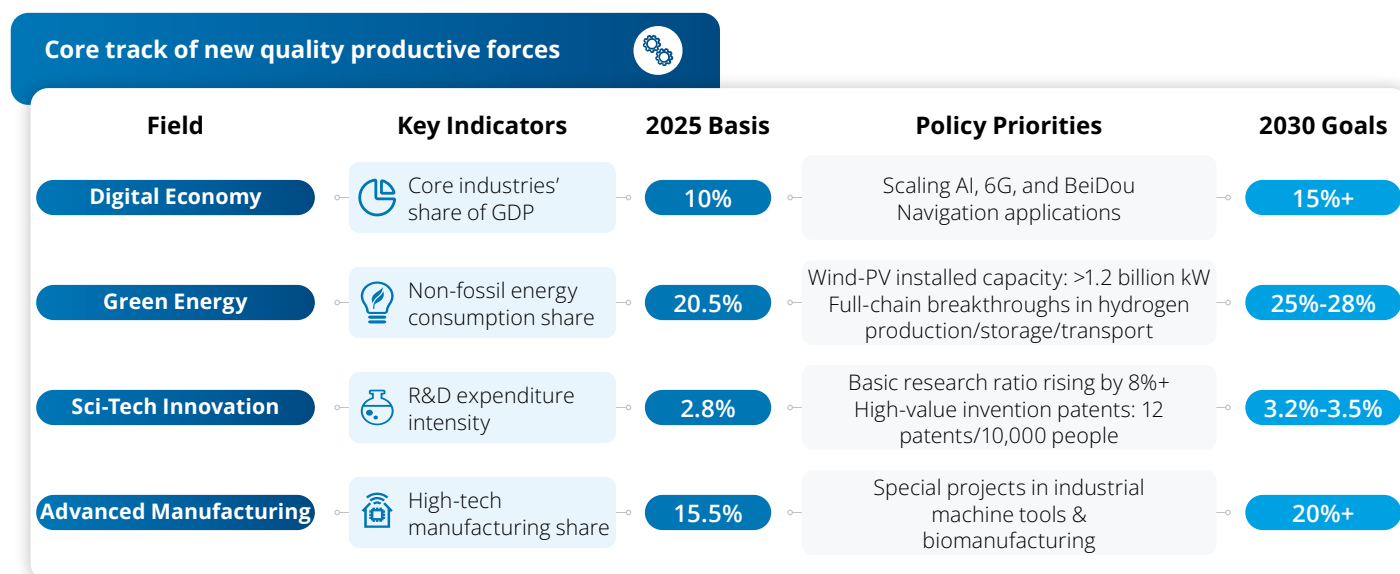
Figure 3: Interpretation of the “15th Five-Year” Plan



Anchoring to new quality momentum and proactively integrating into local industrial strategies

New quality productive forces serve as the core engine driving economic growth during the “15th Five-Year” Plan period. This cycle marks a critical phase for cultivating these new quality productive forces and reshaping development dynamics. Centered on scientific and technological innovation, advanced through digital-intelligent convergence, and materialized via industrial upgrading, they underpin the national strategy for high-quality development.

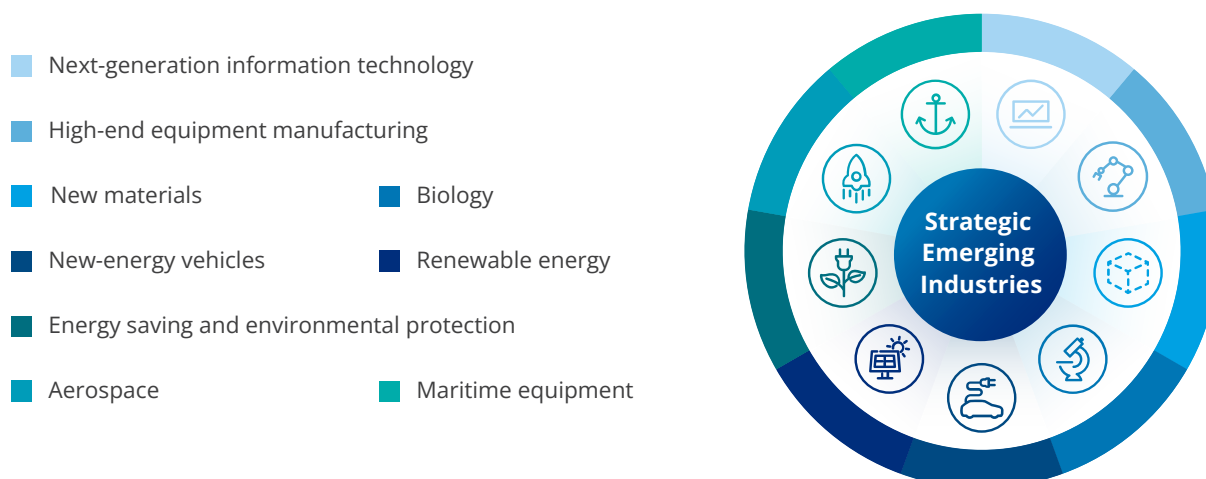
Figure 4: Market and Industry Benchmarking Analysis



Strategic emerging industries serve as the pivotal engine for high-quality development. During the “15th Five-Year” Plan period, priorities will be given to nine key sectors: next-generation information technology, high-end equipment, new materials, biomedicine, new-energy vehicles, renewable energy, green environmental protection, aerospace, and maritime equipment. These industries are distinctively

characterized by their technology-intensive nature, resource-efficient operations, high-growth potential, and extensive multiplier effects. China will implement major engineering projects, intensify policy support and resource allocation, reinforce industrial chain resilience, and foster world-class competitive industrial clusters.

Figure 5: Strategic Emerging Industries during the “15th Five-Year” Plan Period



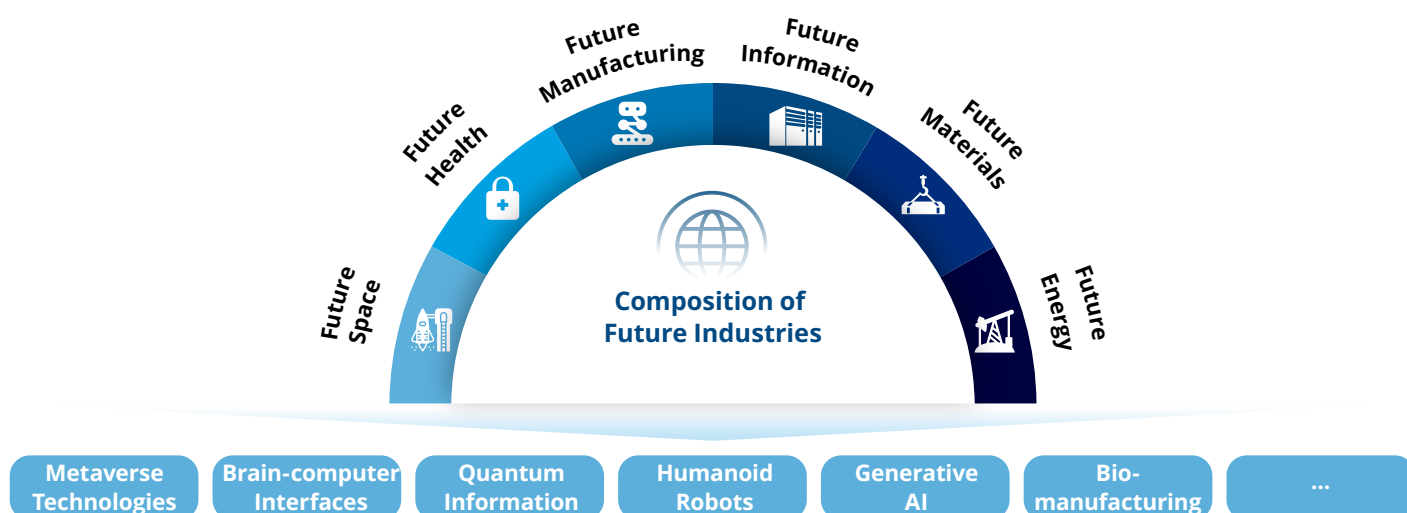
Hot topics

2. Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening

Looking ahead to the technological revolution and industrial transformation, the “15th Five-Year” Plan prioritizes proactive planning across six future industrial domains: Future Manufacturing, Future Information, Future Materials, Future Energy, Future Space, and Future Health. Next step, China will advance focused development in key directions including humanoid robots, brain-computer interfaces,

metaverse technologies, next-generation internet, 6G networks, quantum science and technology, atomic-level manufacturing, and deep-sea & aerospace exploration, with strategic initiatives encompassing cutting-edge research projects, symbolic product developments, and dedicated business incubator deployments.

Figure 6: Proactive Planning for Future Industries



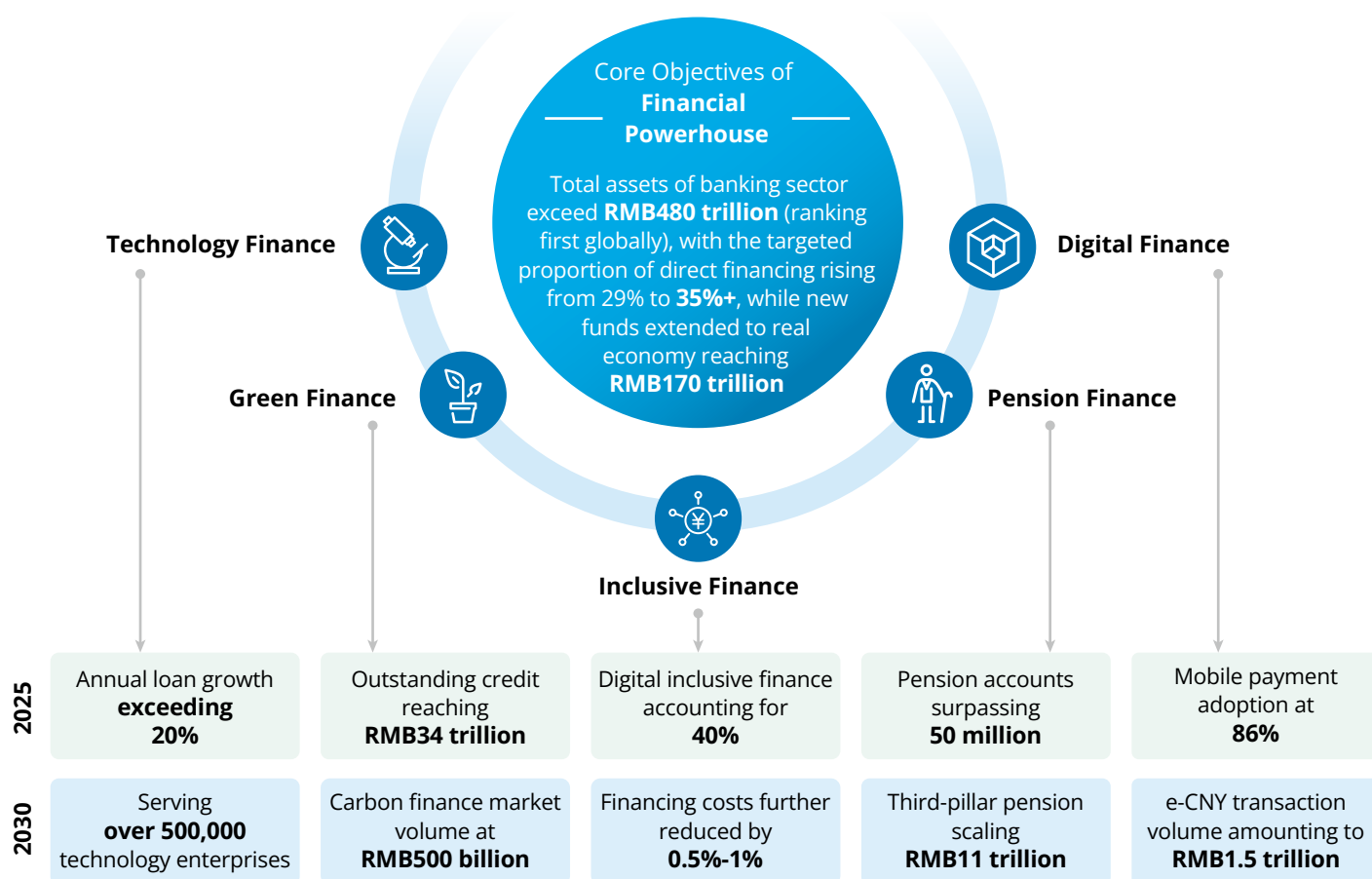
For city commercial banks, it is imperative to closely align with top-level strategic directives, synchronizing national and regional industrial service priorities while concentrating financial resources to bolster technological self-reliance. This necessitates focused engagement in priority sectors such as digital economy, green low-carbon initiatives, and advanced manufacturing, and establishment of tailored

risk control models, innovative financial ecosystems, and specialized industry-finance talent pools to precisely capitalize on national industrial planning opportunities. Such efforts empower traditional industries’ transformation and upgrading, drive deep integration of innovation, industrial, capital, and talent chains, and ultimately enhance distinctive core competitive positioning.

Deepening the “Five Major Financial Initiatives” to build a financial powerhouse

The “15th Five-Year” Plan period witness the global economy to enter a complex cycle marked by low growth, high debt, and intertwined geopolitical conflicts, coupled with substantially intensified external uncertainties and challenges confronting China’s economy, promoting the nation to boost China’s strength in finance as a core strategy, driving the financial sector’s transition from scale expansion to enhanced quality and efficiency with

the “Five Major Financial Initiatives”—technology finance, green finance, inclusive finance, pension finance, and digital finance—serving as the overarching lever to build a modern financial system aligned with Chinese-style modernization, thereby delivering robust financial support for cultivating new quality productive forces, advancing high-quality development, and ensuring national security.

Figure 7: Domestic Strategic Directions: Financial Powerhouse Building and “Five Major Financial Initiatives”

City commercial banks must steadfastly anchor their operations in serving the real economy, and advance the “Five Major Financial Initiatives” as the core pathway: strengthening technology finance to bolster breakthroughs in core technologies and commercialization, thereby facilitating the “science-industry-finance” cycle; optimizing

green finance in support of “dual carbon” goals and the Beautiful China Initiative; consolidating inclusive finance to empower local SMEs and rural revitalization; deepening pension finance to address population aging and silver economy needs; and revitalizing digital finance through intelligent transformation of services and risk controls.

Transitioning from scale expansion to value intensification: Advice to city commercial banks on seven pivots transition

Amid evolving external environment and challenges, local city commercial banks must undertake comprehensive restructuring of operational paradigms and transition across seven pivots so as to decisively break from conventional pathways and propel substantive and sustainable transformation.

Hot topics

2. Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening

1 Transitioning from “scale expansion” to “value-revenue orientation”, restructuring profitability growth logic

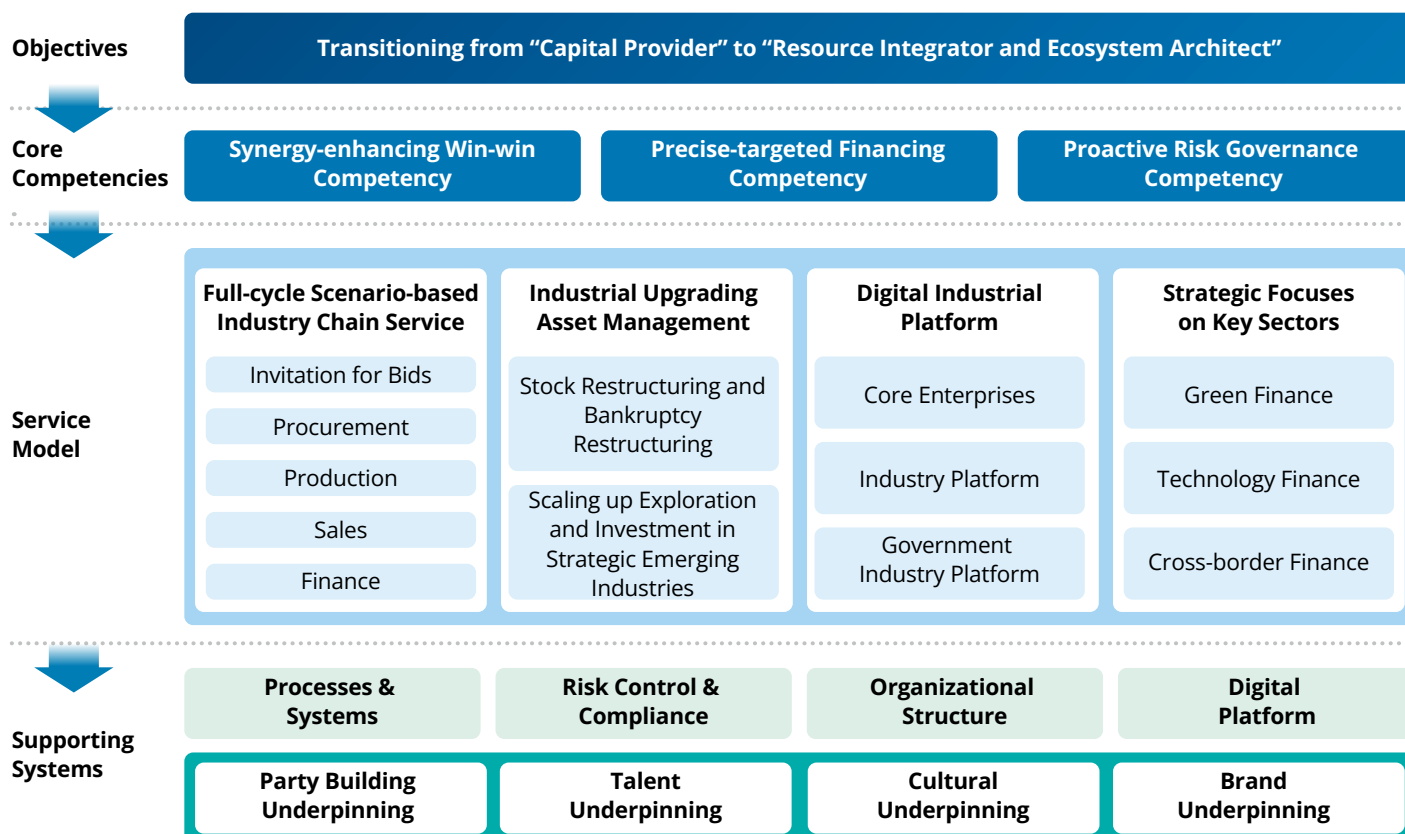
Amid persistently narrowing net interest margins, where marginal benefit on scale expansion have turned negative, it is imperative to decisively abandon scale-driven mindsets and pivot toward a “value-revenue orientation” development model, centering on establishing a “capital-light, high-turnover, steady-yield” profitability system: firstly, optimizing asset structures necessitates reducing high capital-consumption assets while elevating shares of capital-light, high-yield assets such as retail banking, inclusive finance, and supply chain finance; secondly, refining

liability structures requires curtailing high-cost interbank liabilities and structured deposits while expanding low-cost core demand deposits to stabilize funding expenses; and thirdly, breaking away from net interest margin dependency mandates vigorous expansion of intermediary businesses, including wealth management, transaction banking, and payment settlements, to holistically increase non-interest income share, thereby establishing a dual-driven profitability paradigm of “net interest margins plus non-interest income”.

2 Transitioning from “product-driven” to “customer lifecycle-centric operations”, reshaping core client foundations

Local city commercial banks historically adopted a “product-driven” model, manifesting issues such as “emphasizing customer acquisition over retention” and “prioritizing single transactions over comprehensive value”, which led to diminished customer loyalty and overall contribution. During the “15th Five-Year” Plan period, customers’ financial demands have evolved from single financing to integrated full-cycle services, necessitating full-chain financial solutions along industry chains for corporate customers and lifecycle-spanning wealth management for retail customers,

compelling a shift toward “customer lifecycle-centric refined operations” to reconstruct customer-centered frameworks: firstly, establishing tiered customer classification systems for differentiated service strategies targeted to different customer bases; secondly, enhancing public-private linkage to dismantle barriers between corporate and retail customers and enable mutual conversion around industry chains; and thirdly, integrating online-offline channels for one-stop response to customer needs, thereby solidifying local roots to become the “regional bank of choice”.

Figure 8: Refined Customer Full-lifecycle Operation

3 Transitioning from “homogeneous competition” to “regional differentiation focus”, building competitive advantages

In the past, local city commercial banks pursued an extensive “large and all-encompassing” operational model, which eventually trapped them in a fiercely Red Sea of homogeneous competition. During the “15th Five-Year” Plan period, the core natural endowment of city commercial banks lies in their in-depth understanding of local industries and native customer groups, which is an irreplicable advantage that national banks cannot emulate. Throughout the “15th Five-Year” Plan cycle, city commercial banks must shift to “work on regional differentiated positioning”, so as to translate their native advantages into core competitiveness.

Firstly, they shall forge close ties with local characteristic industrial chains, develop exclusive industrial chain financial systems centering on regional leading industries, and build themselves into “banks that best understand local industries”. Secondly, they shall intensively cultivate county-level and grassroots markets, fill the service gaps left by national banks, and develop into the main force of county-level financial services. Thirdly, they shall focus on the “Five Major Financial Initiatives”, develop distinctive business brands in light of local realities, and foster a differentiated market recognition.

Hot topics

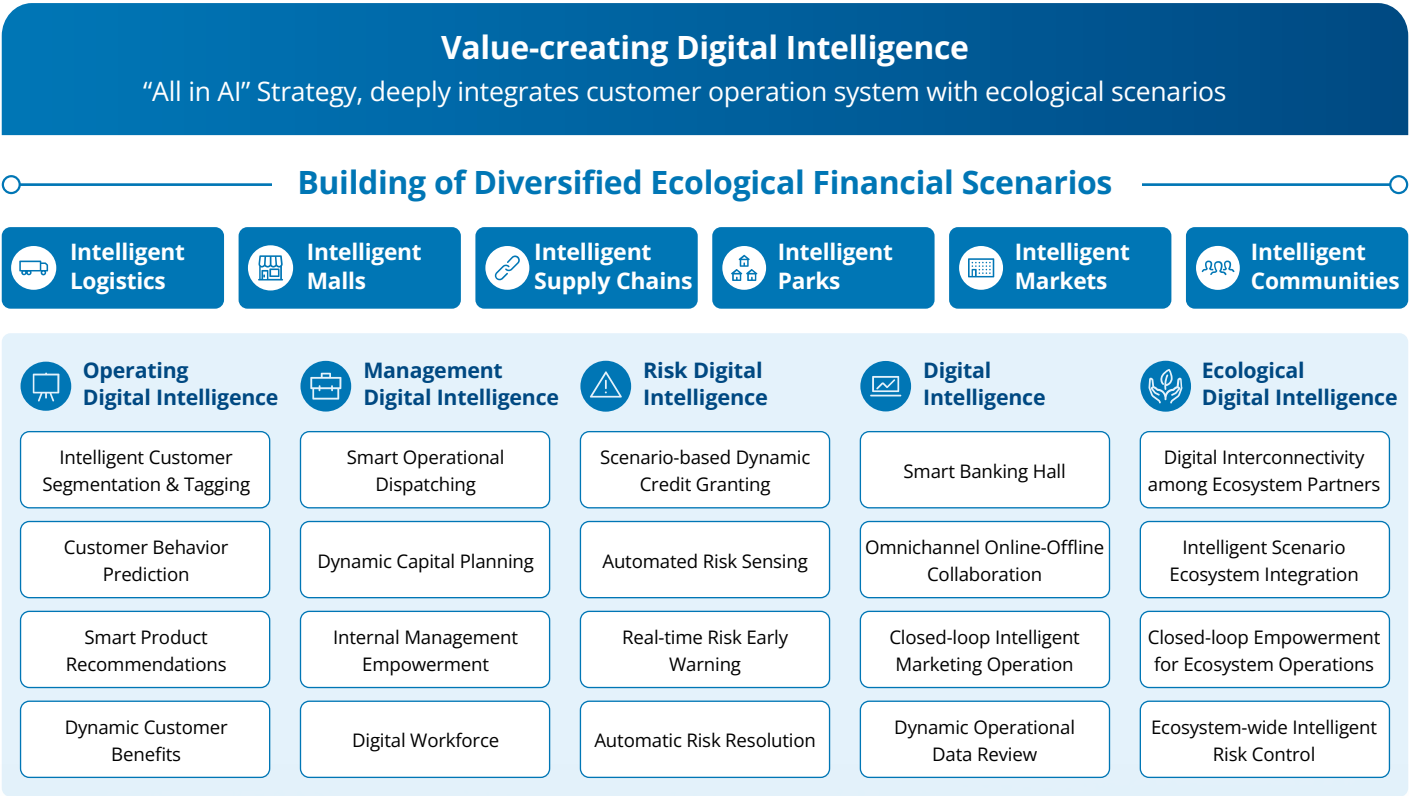
2. Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening

4 Transitioning from “process-support digitization” to “value-creating intelligent transformation”, activating core transformation drivers

Most local city commercial banks previously confined their digitalization construction to the stage of “process online”, where digitalization served merely as an efficiency tool without genuine integration into the entire customer operation lifecycle. During the “15th Five-Year” Plan period, digitalization has become an essential survival capability for banks, compelling city commercial banks to pivot towards “value-creating digital intelligence” as the core driver of transformation. Firstly, empower customer operations through digital intelligence by leveraging big data for precision marketing and intelligent recommendations, thereby enhancing customer acquisition efficiency. Secondly,

empower operational efficiency with digital intelligence to achieve automated and intelligent processing of business workflows, reducing operational costs. Thirdly, empower risk prevention and control with digital intelligence by establishing an intelligent risk management system to address information asymmetry among SME customers and strengthen risk governance capabilities. Fourthly, cultivate a scenario-based digital financial ecosystem by embedding financial services into government, industrial, and livelihood contexts, ensuring “financial services are delivered wherever the scenarios exist”.

Figure 9: Value-creating Digital Intelligence Scenario Building

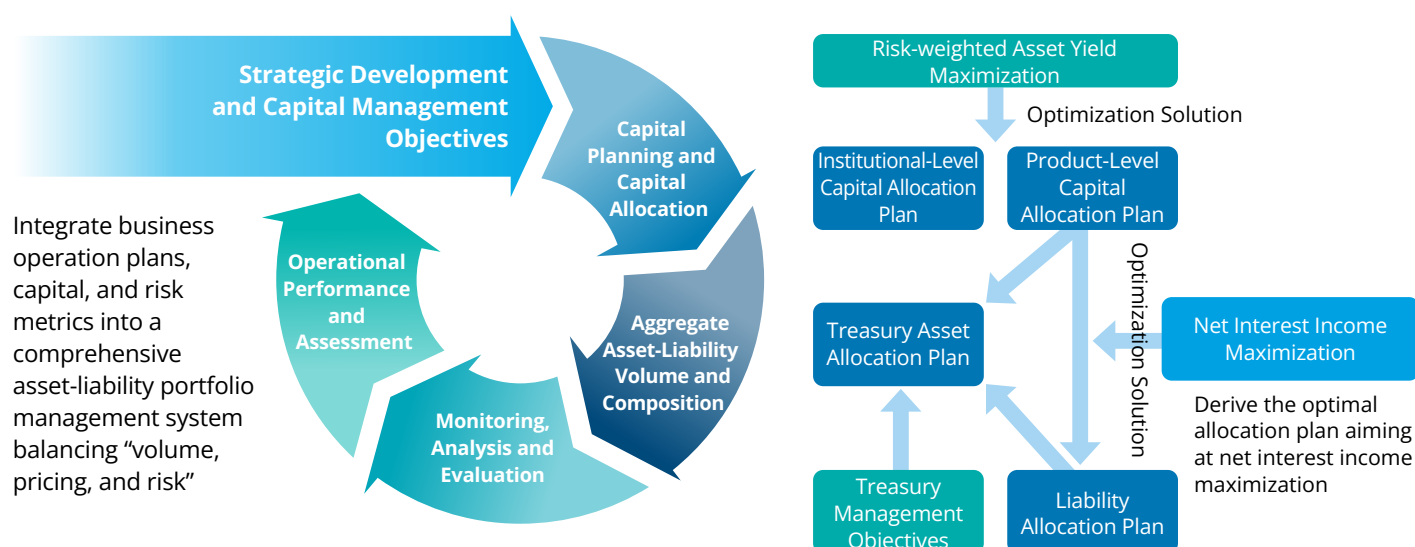


5 Transitioning from “short-term performance focus” to “long-term value incentive mechanisms”, calibrating strategic direction

The transformation of business models hinges crucially on the reform of performance evaluation systems. Previously, city commercial banks prioritized scale, growth rate, and short-term profits in their assessments, which led to pronounced short-termism in management practices, deviating from the goals of high-quality development. During the “15th Five-Year” Plan period, it is imperative to recalibrate the performance evaluation guiding mechanism toward establishing a “long-term value-oriented incentive and constraint framework”. Firstly, optimize the assessment indicator system by reducing the weighting of scale-related metrics while elevating the importance of high-quality development indicators such as revenue structure, customer value, risk compliance, inclusive and green finance, and specialized businesses, thereby steering management away from “pursuing scale expansion” toward “enhancing revenue quality” and “creating value” to achieve

comprehensive quality and efficiency improvements; secondly, adopt investment banking-style financial principles by integrating an asset-liability portfolio management system that balances “volume, pricing, and risk”, enabling dynamic portfolio optimization to guide asset allocation under the optimal capital structure across the bank, and scientifically setting the strategic direction for business volume and structure through coordinated balance among “scale, pricing, and risk” to identify inefficient assets/liabilities, reduce capital consumption, and maximize resource efficiency; thirdly, shift budget control from “expense containment” to “strategic resource allocation and efficiency management”, transitioning from “cost reduction” to “cost efficiency optimization”—continuously lowering unit output costs through digitalization in core business areas while establishing an efficiency evaluation system centered on “input-output-value” in strategic growth domains.

Figure 10: Underpinning Management System Design



Hot topics

2. Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening

6 Transitioning from reactive compliance risk management to holistic proactive forward-looking risk control, fortifying stable development foundations

During the “15th Five-Year” Plan period, amid heightened macroeconomic uncertainties and escalating credit risks from industrial transformation alongside technological risks arising from digitalization, city commercial banks’ previous risk management approach, characterized by “passive compliance and post-event remediation”, lacked proactive, forward-looking full-process control. This led to risks being concealed during economic upswings and abruptly materializing during downturns, necessitating a comprehensive shift toward “proactive foresight and intelligent precision” in risk control. Firstly, establish an integrated holistic risk management system that dismantles silos across risk categories, incorporating credit, market, operational, liquidity, technological, and compliance risk data into a unified control framework to achieve closed-loop processing covering full process from risk identification, assessment, early warning, and resolution to review.

Secondly, develop an intelligent digital risk control brain that consolidates multidimensional internal and external data to build intelligent AI-driven risk models, enabling automatic risk feature recognition, intelligent risk tier assessment, and real-time anomaly alerts, thereby transforming risk approval and decision-making from “experience-driven” to “data-driven” paradigms. Thirdly, enhance forward-looking risk prediction by building risk early-warning models to preemptively analyze macroeconomic and regional industrial shifts for credit strategy adjustments. Fourthly, abandon the “loan-centric over management-centric” approach by leveraging digital risk control technologies to enable real-time monitoring and dynamic tracking of credit fund flows, customer operational status, and collateral value, thereby integrating pre-loan screening, in-loan control, and post-loan resolution into a seamless continuum.

7 Transitioning from “experience-based HR control” to “intelligent digital precision-cultivated talent systems”, consolidating high-quality development human capital

The core of talent system transformation lies in the iterative reshaping of workforce capabilities. In the past, local banks prioritized scale-driven talent development and traditional marketing initiatives, resulting in an aging workforce structure with singular professional competencies that struggled to meet the demands of refined operations and high-quality development. During the “15th Five-Year” Plan period, it is imperative to anchor on the overarching direction of “Strengthening Architecture, Cultivating Talent, Optimizing Mechanisms, and Empowering Efficiency”, consolidating talent development as the cornerstone for building a modernized, digitally-empowered, agile, youthful, and multi-specialized talent echelon. Firstly, strengthen organizational foundations and enhance efficiency to reinforce talent management underpinning, optimize talent management framework at both head office and branch levels, and promote flattened organizational hierarchies and centralized management functions. Secondly, pool and

cultivate talents to forge a specialized composite workforce through expanded career pathways, with emphasis on empowering comprehensive customer managers as the core team, and leverage AI-driven marketing, risk control modeling, and digital operation tools to upgrade organization-wide digital literacy while cultivating professionals versed in industry dynamics, risk control, and technology. Thirdly, revitalize mechanisms to boost efficiency by refining long-term incentive and constraint systems, advancing the role and specialist track reforms, and establishing mechanisms for exceptional promotion, echelon reserve, and growth tracking for young cadres to ignite their intrinsic drive. Fourthly, improve digital-intelligence empowerment to elevate talent management efficiency through multi-dimensional talent profiling and tagging system, dynamic workforce efficiency monitoring to support staffing decisions, and promoting strategic reallocation of human resources toward high-value domains.

2. Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening

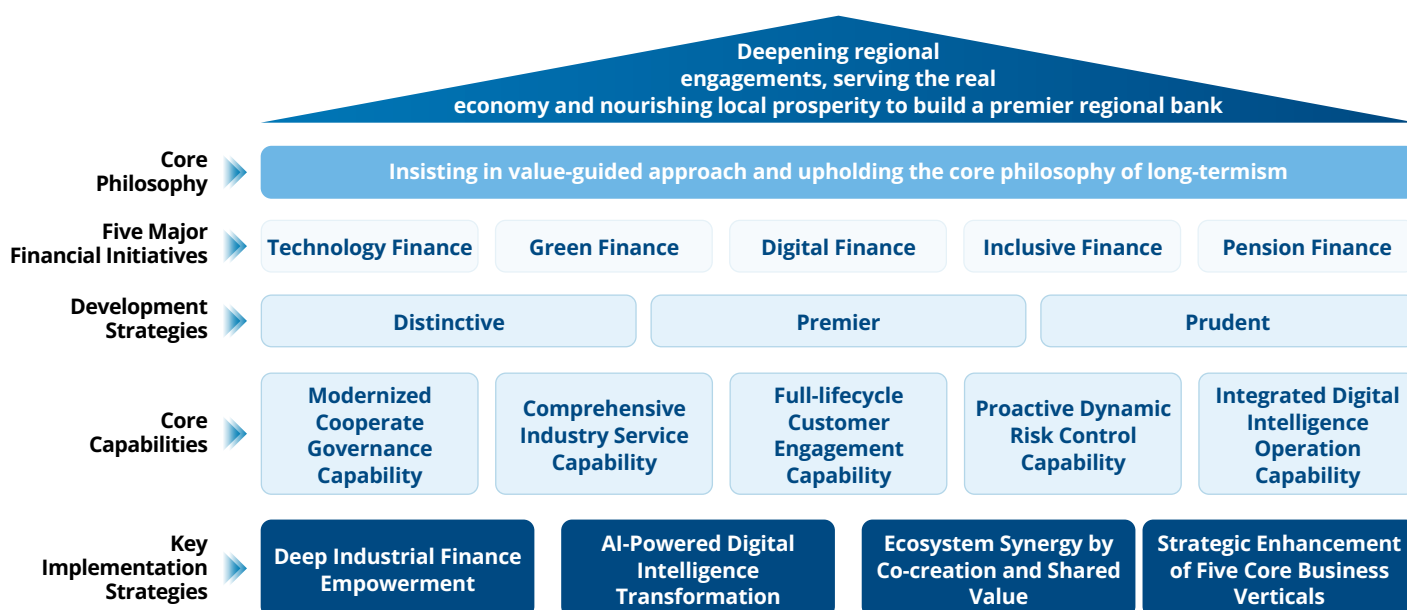
Figure 11: Organizational Structure Development Positioning and Measures



Charting an Intelligent Blueprint and Launching a Smart Journey: Recommendations for City Commercial Banks

During the “15th Five-Year” Plan period, the transformation of city commercial banks must entail a comprehensive, end-to-end systemic restructuring. This requires establishing a Five-sphere Integrated transformation blueprint encompassing top-level vision, core philosophy, critical capabilities, business strategies, and supporting safeguards, ensuring unwavering alignment with strategic objectives and effective implementation.

Figure 12: Five-sphere Integrated Transformation Blueprint



Hot topics

2. Striving for long-term vision, enhancing quality and efficiency, and benefiting local communities: Challenges and transformation pathways for local city commercial banks during the “15th Five-Year” Plan period, transitioning from scale expansion to value deepening

During “15th Five-Year” Plan period, local city commercial banks must proactively adapt to pursue high-quality development. This requires anchoring a strategic vision to be “distinctive, premier, and prudent” with long-term foresight and scientific approaches, while steadfastly upholding their foundational commitment to “rooting in the local and serving the real economy”. By forging the five core capabilities—modernized corporate governance, comprehensive industrial services, full-lifecycle customer operations, proactive dynamic risk control, and digital-intelligence operations—a solid foundation for future growth will be established. Concurrently, translating

blueprint into action demands leveraging digitalization and intelligence as engines to fully ignite the transformation journey. Through deep industrial finance empowerment, AI-powered intelligence transformation, ecosystem synergy by co-creation and shared value, and strategic enhancement of five core business verticals, intelligence must permeate every operational facet. Supported by modernized talent systems and open and win-win ecosystems, this ensures a steadfast transformation toward a profound shift from scale expansion to quality-efficiency advancement, ultimately amplifying financial contributions to regional economic development.

Conclusion

The “15th Five-Year” Plan has charted a new blueprint for the financial sector. Looking ahead, amid profound external changes, local city commercial banks stand at a critical juncture for transformation. They must uphold their commitment to serving local communities, break away from traditional path dependencies, and anchor their development to high-quality growth, reconstructing operational logic, building core capabilities, and cultivating local markets to become true pillars in supporting regional real economies. As a globally leading professional service provider, Deloitte aligns with national strategies, leveraging global perspectives and localized expertise to deliver forward-looking industry insights and tailored solutions. This comprehensive support will empower local city commercial banks throughout their transformation journey, jointly advancing the grand vision of high-quality development.

3 Leveraging technological empowerment, and steering the future with intelligence: Insights into digital-intelligence transformation trends of risk compliance and internal control in the financial sector

Macro Insights: The opportunity window for digital to AI-native transition

Financial institutions must seize opportunities for transformation within this time window of technological explosion. As the “15th Five-Year” Plan period advances amid explosive AI growth, leading financial institutions are transitioning their risk control paradigms from “digital empowerment” to an “AI-native approach”.

Over the past decade, most financial institutions’ digital transformations essentially involved “digitizing” offline workflows. While this enhanced efficiency, it failed to alter the fundamental “human-driven process” logic. Amid increasingly complex macroenvironments and rapidly evolving technological trends, such traditional linear models now fall short in meeting substantive compliance requirements and dynamic risk management needs. Financial institutions must therefore progress beyond reliance on static statements and post-audit reports, systematically developing dynamic risk control capabilities with real-time monitoring, granular visibility, and comprehensive scanning.

Strategically, the heightened requirements of the “15th Five-Year” Plan for digital economy foundations are driving regulatory mandates to upgrade financial institutions’ risk control systems; failure to establish an “AI-native” risk-compliance infrastructure during this phase may significantly widen management disparities among financial institutions within five years. Such gaps could render institutions passive in the future digital financial ecosystem, even risking marginalization in market access due to non-compliance with granular technical standards. The coming five years present a critical window for transforming risk compliance and internal controls of financial sector, making this overhaul imperative.



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Hot topics

3. Leveraging technological empowerment, and steering the future with intelligence: Insights into digital-intelligence transformation trends of risk compliance and internal control in the financial sector

In-depth analysis: Systemic pain points in traditional risk control and compliance management

Managers of risk control and compliance, and internal controls should proactively embrace changes and break away from the mindset of “Business Priority with Risk Control Embedded”. Under the pressure of “high risk, stringent regulation, and massive data volumes”, the traditional “artisan-style” management model of financial institutions is facing structural failure. As business

scenarios evolve toward higher frequency and real-time operations, defense systems reliant on manual sampling and expert experience are proving inadequate when confronting new types of risks that are increasingly covert and interconnected. This “management capability gap” has become the greatest obstacle to the sound operation of financial institutions.

Lag in internalization of external regulations and “loss of control” over compliance standards

As the regulatory environment becomes increasingly complex and regulatory requirements grow more frequent and granular, the traditional model of “internalization of external regulations” (that is, manually interpreting laws and regulations and then manually converting them into internal rules and regulations) suffers from a significant

time lag. This “time lag” often leaves financial institutions in a regulatory compliance vacuum during the early stages of regulatory changes, with some compliance risks unnoticed or not addressed in a timely manner, and thus remaining “out of control” for extended periods, making it impossible to achieve precise alignment with regulatory requirements.

A disconnect between formal policies and actual practices and lack of rigid control

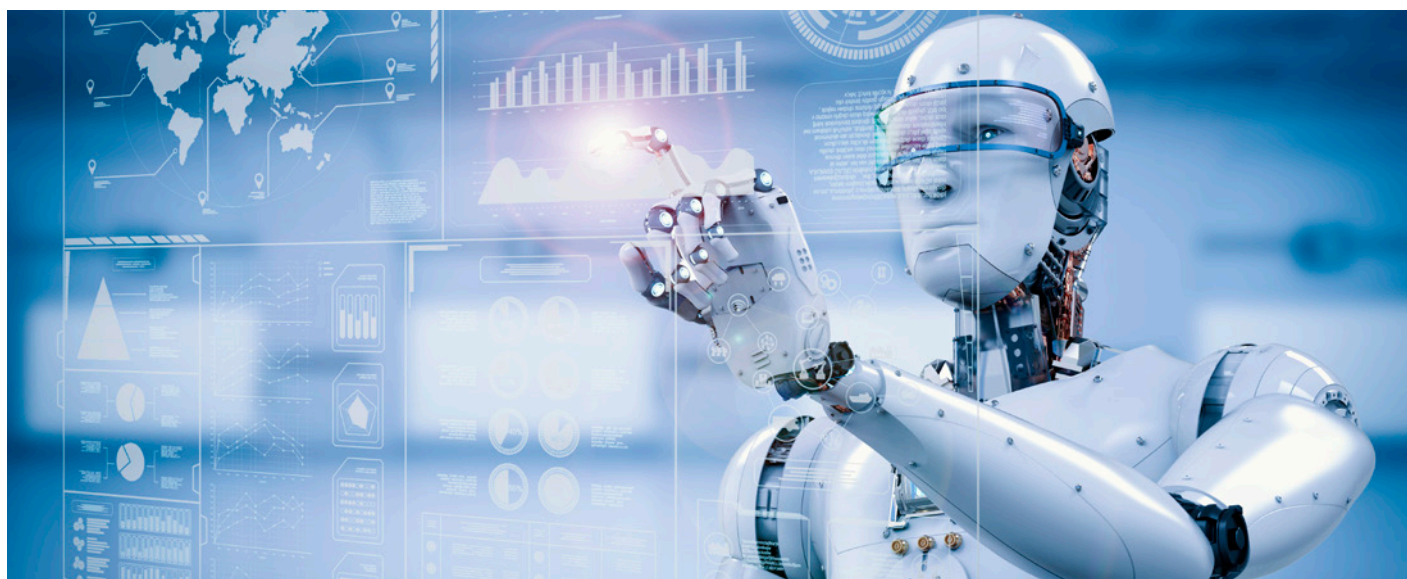
Many financial institutions suffer from a serious disconnect between their internal systems and actual business operations. Although there is a vast array of rules and regulations, systematic and rigid control points are lacking in actual business workflows. Compliance is often viewed as an “add-on” separate from business operations, rather

than “code” embedded within the business logic. This “disconnect” renders the self-regulatory capabilities of the first line of defense virtually ineffective; as a result, accountability is often assigned and causes are reviewed only after risks have materialized, with no proactive prevention mechanisms in place.

Insufficient audit coverage and hidden cross-system risks

Traditional audit models have long been constrained by human resources. For example, commercial banks face a heavy workload of annual routine audits, special audits, internal inspections, and special assessments. Faced with transaction data streams running at tens of thousands or even tens of millions of transactions per second, traditional audit models based on manual sampling (which typically achieve a coverage rate of less than 1%) are bound to overlook hidden risk points buried within vast amounts

of data. In particular, interrelated risks that span multiple systems and cycles are extremely difficult to detect due to the barriers posed by heterogeneous data. Project-driven, linear audit approaches cannot achieve continuous monitoring across the entire business lifecycle, resulting in the root causes of structural vulnerabilities, which underlie the phenomenon of “recommitments despite repeated audits”, remaining undetected and unresolved.



Data silos caused by a lack of data governance

A high-quality data foundation is the lifeblood of digital and intelligent risk management. However, in reality, the data of financial institutions is often scattered across multiple business systems with heterogeneous formats and inconsistent standards. Data collection and governance are extremely challenging, resulting in a lack of a unified, comprehensive view for risk identification. Due to the absence of a standardized data governance system, internal risk control or oversight personnel often find themselves bogged down in complex data cleansing tasks when conducting capital flow penetration and investigating the root causes of risks, preventing them from leveraging their professional expertise in advanced analysis.

We therefore believe that the traditional phenomenon of “recommitments despite repeated audits” is not merely an operational issue, but rather stems from the fact that the “human-based” system has reached its efficiency ceiling. Simply increasing the number of personnel for risk control, compliance, and audit or raising the frequency of inspections is no longer sufficient to address increasingly complex risk patterns. The solution lies not in “patching up” the old models, but in a fundamental shift from “artisan-style management” to “digital and intelligent detection”.



Concept reconstruction: A strategic shift from “efficiency tool” to “intelligence-native”

The philosophy and mindset of managers are critical factors that will determine whether financial institutions fall behind in the digital and intelligent transformation. Elevating the strategic perspective from viewing “technology as a tool” to “technology as a means of production” is a requisite for achieving a breakthrough

in financial risk management. This implies that for future AI banks or AI brokerage firms, the core will no longer consist of a mere aggregation of digital systems, but rather take the “AI Agent” as the basic unit, driving a fundamental transformation of business processes from “human-driven” to “agent-collaborative”.

Hot topics

3. Leveraging technological empowerment, and steering the future with intelligence: Insights into digital-intelligence transformation trends of risk compliance and internal control in the financial sector

 The three major notions of the “digital and intelligent detection” model

Scenario-first and value anchoring

To avoid blind attempts driven by the technological determinism, financial institutions must focus intently on high-risk scenarios such as lending, investment, trading, investment banking, and wealth management. KPIs for digital and intelligent transformation should be directly linked to risk identification rates and the quantifiable effectiveness of risk management and control.



Upholding the bottom line of security and trustworthiness

When applying generative models, financial institutions must use RAG (Retrieval-Augmented Generation) technology to anchor large language models to their internal private data lakes or data marts. This not only addresses the issue of model “hallucinations”, but also ensures the explainability and auditability of risk control decisions, thereby safeguarding data sovereignty and security.



Integration of business formats and embedded intelligence

Financial institutions should promote the development of “intelligence-native” capabilities, embedding the logic of risk control, compliance and internal control and oversight directly into the underlying code of business systems. Intelligence-native means that, from the very inception of a business process, an AI Agent defines its risk boundaries, thereby making compliance capabilities API-based and seamless. In other words, through the development of intelligence-native capabilities, **compliance requirements are embedded in policies, policies are embedded in processes, and processes are embedded in systems**, all of which should be seamless, monitorable, and measurable.



 A comparison of paradigms: Digital thinking vs. intelligence-native thinking

Dimension	Traditional digital thinking (Digital transformation 1.0)	Intelligence-native thinking (Digital and intelligent revolution 2.0)
Core logic	Online processes, with people remaining at the heart of decision-making	AI Agents collaboration, with AI as an autonomous decision-making node
Identification mode	“Artisan-style management” driven by sampling inspection and experience	“Digital and intelligent detection” driven by full-scope scanning and models
Data format	Discrete financial statements and static documents	Continuous, multidimensional real-time data streams and knowledge graphs
Enforcement mechanism	Linear cycle, project-driven	Closed-loop automation based on Agentic Workflow
Compliance culture	Passive response to regulation, viewed as a “cost center”	Proactive response to risks, viewed as a “value partner”



“Voices of senior executives”: The driving force behind organizational evolution

The success of digital and intelligent transformation essentially depends on an organization’s internal culture of risk control and compliance. As demonstrated by leading banks, the strategic importance of risk control and compliance must be established through a top-down approach led by the “voices of senior executives”. Senior management must not only endorse technology investments but also ensure, through professional boards at the board level, that risk control and compliance issues are given the highest priority in decision-making.

Only when compliance transforms from an obstacle that “slows things down” into a driving force that “keeps things moving” can an organization truly evolve into an intelligent entity. A shift in mindset is a prerequisite for the successful implementation of any technology. Without this leap in thinking, the application of any cutting-edge technology will merely amount to “old wine in a new bottle”. Organizations must recognize that building a culture of “proactive compliance” holds greater long-term strategic value than purchasing any AI model.



Scenarios for application: Next-generation technology enables a comprehensive assessment of risk control and compliance

In which scenarios can digital and intelligent transformation drive transformative changes, and how should financial institutions proceed? Building on a higher-level conceptual framework, financial institutions need to leverage a technology matrix (including big data lakes, AI Agents, and knowledge graphs) to establish a closed-loop system for risk control, compliance, and internal control and oversight based on “**Perception - Decision - Execution**”.

Hot topics

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The practical closed-loop of the technology matrix



Big data lakes + machine learning (ML)

A comprehensive “panoramic scanning” is achieved. By building a unified data lake, data previously scattered across hundreds of heterogeneous systems is governed and standardized. Algorithms such as random forests and clustering analysis are used to replace traditional sampling methods. For example, in the field of anti-money laundering, a hybrid anomaly detection engine can create and monitor both supervised and unsupervised rule-based models to identify clustering fraudulent activities that traditional rules cannot detect.



AI Agents

AI Agents can act as a “smart copilot”. Based on agent workflows, agents can not only detect anomalies but also autonomously make decisions to block or issue warnings within their authorized scope. Through internal supervision and perception, they can penetrate across multiple transaction levels, enabling a shift from “rule-based triggering” to “intent understanding”.



RAG + natural language processing (NLP)

RAG + NLP can automate the “internalization of external regulations”. With RAG technology, AI can retrieve the latest notices from regulators in real time, automatically identify gaps in internal policies, and assist in generating compliance reports, enabling tasks that would normally take weeks to be completed in a matter of seconds.



Deep penetration into core business scenarios

Smart transformation of anti-money laundering (AML):

Through a unified customer information platform, the “four-step” customer identification process is automated: automatic data collection, automatic risk scoring, in-depth due diligence recommendations, and dual-control logic verification. Based on dynamic monitoring of key risk indicators, the system can automatically generate suspicious activity reports, shifting manual intervention from tedious data comparison to high-value risk assessment.

“Permeation into” internal control & compliance

oversight and audit: For various financial operations, including credit services, wealth management, investment trading, payments, and investment banking, the digital and intelligent auditing system uses graph computing technology to construct complex flow charts. It clearly reveals the interactions between different task workflows,

access controls, and anomalous patterns, as well as enables additional verification of supplementary information during the review process. For example, in the case of non-compliant operations spanning multiple business lines, the system can significantly accelerate the detection of potential risks by identifying anomalous patterns in execution logs.

We believe that under the human-machine collaboration model, auditors are undergoing a role transition from “executors” to “audit commanders”. Technology has significantly freed up basic manpower, but this does not mean a reduction in staff; rather, it requires auditors to shift their focus toward “proposing solutions” and “optimizing management”. This role transition will directly determine whether an organization can transform risk control and compliance into a core competitive asset for the enterprise.

Implementation paths: Advanced solutions for digital and intelligent risk control and compliance in financial institutions

Achieving digital and intelligent transformation is not a turnkey project that can be accomplished overnight, but rather a progressive process requiring long-term investment and dynamic iteration. Financial institutions must advance this process in a phased and sustained manner, backed by adequate resources and organizational support.

Design of a four-stage maturity pathway

- 01 Pilot stage**
 Select high-frequency, high-value scenarios (such as anti-money laundering and routine branch audits) as the breach. Validate the model's effectiveness through small-scale data integration, take small and rapid steps to build internal confidence within the organization, and simultaneously assess the difficulty and feasibility of implementation, making timely adjustments and optimizations.
- 02 Application and reconstruction stage**
 Implement a component-based approach to standardized models. Gradually expand into more domains by leveraging existing capabilities, while continuously gathering feedback and refactoring through practical application. Financial institutions should establish error-tolerant mechanisms at this stage to identify errors and deviations, correct and iterate on them in a timely manner, and build digital and intelligent application capabilities through high-frequency correction and feedback cycles.
- 03 Business integration stage**
 By developing risk control capabilities based on API, compliance control points are deeply embedded into the business workflow code. This enables real-time risk mitigation and achieves a "seamless integration" of business operations and compliance.
- 04 Ultra Intelligence-native Agents**
 Create a fully autonomous, self-evolving defense ecosystem. AI Agents possess the ability to learn continuously and can spontaneously adjust their strategies in response to changes in the regulatory environment, thereby realizing the ultimate form of "smart governance".

Organizational support and the "Trinity" Team

Digital and intelligent transformation must be supported by an appropriate organizational model. Organizations should build multidisciplinary teams comprising business rules experts, data scientists, and IT architecture experts. Within these teams, business rules experts are responsible for rule architecture, data scientists for model evolution,

and IT experts for underlying engineering support. At the same time, organizations need to restructure their incentive mechanisms and establish a diversified performance evaluation system that recognizes contributions to technological innovation.

Hot topics

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KPI system and “measurable value”

To ensure that the transformation strategy stays on track, it is essential to establish KPIs for digital and intelligent transformation, such as:



Early detection rate of potential risks

Measure the improvements in “early warning” capabilities.



Labor substitution rate / labor productivity ratio

Assess the extent to which intelligent tools reduce inefficient labor.



Compliance response cycle

Measure the reduction in the response time from the issuance of regulatory documents to their implementation within the organization.

Conclusion

The ultimate vision of the digital and intelligent transformation of financial risk compliance and internal controls is to make the leap from “inspection, supervision, and problem detection” to “intelligent risk prevention,” propelling compliance departments from traditional “cost centers” to “value partners” that drive sustainable business development. Amid the tidal wave of fintech, only those institutions that dare to reconstruct their underlying logic and embrace intelligence-native approaches will be able to navigate the future financial ecosystem steadily and successfully, securing a competitive edge.

4 Special campaign on financial data security under the “Four Batches” accountability framework: Policy interpretation and response strategies



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“Data Security Management Capability Enhancement Special Action” Reinforces Risk Resilience

China’s digital economy has entered a stage of in-depth development, and the importance of data as a factor of production is self-evident. The high-quality development of digital finance, in particular, is inseparable from the extensive application of data elements. In the course of digitalization, financial institutions face mounting pressure in data compliance management and risk prevention and control: frequent data security incidents, excessive collection and illegal trading of personal information, as well as the misuse of AI giving rise to algorithmic discrimination and the spread of disinformation, have come to the fore. Striking a balance between unlocking the value of data and upholding security bottom lines, while reconciling innovative applications with compliance and control, has drawn close attention from financial regulators. Following the promulgation of the *Data Security Law* and the *Personal Information Protection Law* at the national level in 2021, financial regulators have successively issued a series of data-security-related regulatory requirements.



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Table 1: Regulatory Requirements on Data Security in the Financial Sector over the Past Three Years

Issuance Date	Regulatory Guideline	Summary of Data Security-Related Content
December 2024	<i>Rules on Data Security of Banking and Insurance Institutions</i> (Jin Gui [2024] No. 24)	From 2025 onward, financial institutions are required to comprehensively carry out data classification and grading, establish data directories, conduct annual assessments, and perform other related tasks in accordance with these Measures.
May 2025	<i>Measures for the Administration of Data Security in the Business Areas of the People’s Bank of China</i> (PBC Decree [2025] No. 3)	These Measures specify and clarify the baseline compliance requirements for data security within the business areas under the purview of the People’s Bank of China. They urge and guide relevant data processors to conduct data processing activities in compliance with regulations, fulfil data security protection obligations, and safeguard the legitimate rights and interests of individuals and organizations.
December 2025	<i>Notice on Carrying out a Special Action to Enhance the Data Security Management Capabilities of Financial Institutions</i> (Jin Ban Fa [2025] No. 93)	Effective from December 2025 and lasting throughout 2026, this action requires financial institutions to undergo inspections and rectifications in areas including data security governance, data classification and grading, as well as data security risk monitoring and incident response.
December 2025	<i>Implementation Plan for HighQuality Development of Technology Finance in the Banking and Insurance Industries</i> (Jin Ban Fa [2025] No. 95)	The Plan emphasizes the strengthening of data security protection, the implementation of data classification and grading management, the reinforcement of technical prevention measures, and the improvement of working mechanisms for monitoring, early warning, incident reporting, and risk response.

The promulgation of the *Rules on Data Security of Banking and Insurance Institutions* at the end of 2024 underscores the regulators’ strong emphasis on data security. However, financial institutions have encountered considerable challenges in their coordinated efforts to advance data security work. These challenges include: the broad scope of data security, which is not an easy task to ensure the accountability for data security management; the numerous technical intricacies involved in the practical application of data classification and grading; the extensive range of systems to be covered by data security tools, coupled with the high costs of retrofitting to ensure compatibility with both the old and new systems; and the implementation of data security technology faces challenges due to the convergence of multiple technical tasks, such as new business requirements for existing systems and information technology innovation upgrades, resulting in a prolonged implementation cycle. In response to regulatory pressure, many financial institutions have opted to establish their management systems by copying regulatory documents verbatim, without developing actionable implementation rules. As a result, a significant number of data security control measures have failed to materialize, and risks in the data security domain have not been effectively mitigated.

Against this backdrop, the General Office of the National Financial Regulatory Administration (NFRA) issued the *Notice on Carrying out Special Action to Enhance the Data Security Management Capabilities of Financial Institutions* (Jin Ban Fa [2025] No. 93, hereinafter referred to as the “Special Action”) on 17 December 2025. The Notice is designed to facilitate the implementation of the *Rules on Data Security of Banking and Insurance Institutions* and to strengthen data security governance capabilities of financial institutions. The launch of Special Action will undoubtedly drive financial institutions to transform their data security policies from mere paper-based requirements into effective, tangible practices, thereby pushing the capacity building of data security to a new level. Furthermore, the *Implementation Plan for HighQuality Development of Technology Finance in the Banking and Insurance Industries* (Jin Ban Fa [2025] No. 95), issued on 22 December 2025, calls for “fully leveraging the dual-engine role of digital technology and data elements to empower financial services with improved quality and efficiency, contribute to the development of the digital economy, and achieve high-quality development of technology finance”, while further emphasizing the need to “firmly safeguard the bottom line of risk”.

As a solid safeguard for upholding the risk bottom line, the Special Action is carried out in accordance with the overall requirement of **“identifying a batch, rectifying a batch, publicizing a batch, and penalizing a batch”**. It is steadily implemented through four phases: publicity and deployment, self-inspection and rectification, inspection and notification, and summary and exchange. By the end of 2026, the Special Action aims to achieve a marked improvement in the data security management capabilities of financial institutions.

To ensure that the self-inspection and rectification efforts deliver tangible outcomes, the Special Action has issued a self-inspection and rectification checklist. This checklist breaks down the six major work priorities, namely, data security governance, data classification and grading, data security management, data security technology protection, personal information protection, and data security risk monitoring and incident response, into 22 issue categories and 138 major issue areas. It provides financial institutions with clear guidance and actionable benchmarks for self-assessment, corrective actions, and capability enhancement.

Table 2: Core Work Arrangements of the Special Action for 2026

Phase	Phase Task	Timeline	Key Activities
Phase I	Publicity and Deployment	December 2025	- Each financial institution establishes a cross-departmental task force to formulate work plans for enhancing data security management capabilities. - Local financial regulatory bureaus guide and direct institutions within their jurisdictions to carry out data security awareness training and knowledge assessments.
Phase II	Self-Inspection and Rectification	December 2025 – March 2026	- Each financial institution is to conduct self-assessments and self-evaluations led by its audit department. - Each financial institution is required to conduct key inspections focusing on data security responsibilities, the implementation status of data classification and grading management, and emergency response plans for data security incidents, among others. - Each financial institution shall analyze the issues and their root causes, and carry out rectification measures accordingly.
Phase III	Inspection and Notification	April 2026 – October 2026	- Local financial regulatory bureaus are required to initiate on-site inspections by the end of June 2026. - Local bureaus shall compile prominent and common issues identified during inspections and issue regulatory notifications accordingly. - Local bureaus shall impose administrative penalties on financial institutions with material risks.
Phase IV	Summary and Exchange	October 2026 – December 2026	- Each financial institution submits its self-inspection and rectification status report, along with a summary of the Special Action, to its local regulator by 10 December 2026. - Local financial regulatory bureaus submit their consolidated summaries to the National Financial Regulatory Administration (NFRA). - The NFRA convenes an exchange meeting on data security management; local bureaus may organize exchange activities for institutions within their jurisdictions as appropriate.

Understanding Data Security Regulatory Priorities through Special Action

1 Data Security Management Responsibilities of Financial Institutions Need Further Specification

Data security governance is progressively transitioning from a stage of “clearly defined responsibilities” to “implementable accountabilities”. The Special Action further requires financial institutions to refine their responsibility frameworks, for instance, by specifying the primary responsibility of the person in charge, the various duties of the centralized data security management department, the obligations of the information technology department, and the data security management responsibilities across different business lines.

The core guiding principle of data security governance is that financial institutions must not confine data security

responsibilities to policy texts or organizational charts; rather, they shall embed accountability requirements into day-to-day operations, business processes, and operational procedures, thereby forging an accountable chain that is executable, monitorable, and verifiable. By clarifying the duties of personnel at all levels, reinforcing the functions of lead departments, and improving cross-departmental coordination mechanisms, institutions can drive responsibilities from “paper” to “practice”, ensuring that data security governance advances in tandem with business development. Ultimately, the goal is to achieve a responsibility system that is full-process, quantifiable, traceable, and assessable.

2 Data Classification and Grading Underpin Full-Process Control

The Special Action continues to emphasize the foundational role of data classification and grading, yet a noticeable forward shift has emerged—the regulatory focus is no longer confined to whether institutions have completed the classification and grading of their data assets. Instead, greater emphasis is placed on verifying whether the classification and grading comprehensively cover real business and operational data, whether they are aligned with actual business scenarios, and whether the resulting classifications can effectively underpin subsequent security controls, risk monitoring, and full-lifecycle protection.

In this regard, regulators have put forward key self-inspection requirements covering dynamic management and maintenance of data catalogues, the adoption of differentiated security protection measures based on classification and grading outcomes, and the establishment of dynamic adjustment and approval mechanisms for data classification and grading. Institutions are expected to develop the capability for dynamic updates and ongoing maintenance, ensuring that classification and grading results are authentic, accurate, actionable, and applicable, truly serving as the starting point for technical controls and risk monitoring, rather than the endpoint of data security management.

3 Data Security Increasingly Focused on Usage Scenarios

In the Special Action, the regulatory perspective has pivoted toward data usage scenarios and risk behaviors per se. In contrast to the past, where regulatory requirements placed greater emphasis on static safeguards such as data storage security and network perimeter protection, the Special Action focuses more closely on the dynamic processes of data access, usage, transfer, and processing throughout its lifecycle. It primarily covers high-frequency business scenarios, including database operations and maintenance, big data development and utilization, external data sharing, API calls, and third-party entrusted collaboration.

At its core, the regulatory focus centers on whether data is used in compliance with authorized scopes, and whether there exist high-risk behaviors such as unauthorized operations, improper abuse, and anomalous access. Regulators also scrutinize whether financial institutions possess the capabilities for real-time monitoring, risk prevention and control, end-to-end traceability, and closed-loop incident response. This approach is intended to drive a shift in data security management from passive defense toward proactive identification and precision governance.

4 Empowering Financial Institutions to Enhance Risk Monitoring Capabilities

Risk monitoring capability has emerged as a key dimension in assessing data security management performance of financial institutions under this Special Action. The Special Action emphasizes the full-process development of risk monitoring, assessment, early warning, and emergency response, reflecting the strong regulator focus on the operational effectiveness of data security measures.

The regulatory focus has shifted forward from post-incident response to pre-incident early warning. Rather than

relying solely on post-incident outcomes as the yardstick for evaluation, regulators now place greater emphasis on whether institutions possess the operational capability to proactively identify risks, monitor anomalies in real time, intervene and address issues in advance, and ensure closed-loop end-to-end management. The Special Action specifically notes that “qualified financial institutions may conduct cyber and data security offensive-and-defensive drills”, leveraging a range of risk monitoring tools to validate the practical effectiveness of current data security controls.

Exploring Financial Institutions’ Response Strategies through Special Action

Based on the Special Action deployment and industry practice, Deloitte recommends that financial institutions seize this opportunity to build a data compliance and risk management system. Through systematic development and ongoing operations, institutions can shift their data

security management approach from passively responding to inspections toward proactively enhancing long-term governance capabilities, thereby achieving simultaneous improvements in both compliance levels and risk control capabilities.



1 Data Assets as the Foundation for Data Classification and Grading

The cataloguing and inventorying of data assets constitutes the most fundamental task. Deloitte recommends that financial institutions approach data classification and grading from a data asset perspective: when carrying out classification and grading, institutions may base their efforts on actual data carriers, such as databases, big data platforms, and system interfaces, to gain a comprehensive view of data resources across the entire organization,

thereby forming a unified and clear data asset view, which shall be dynamically updated. A dynamically updated data asset map can effectively support subsequent security controls, including access control, data masking, and risk monitoring, while also ensuring that data classification and grading extend across all business and operational management processes.

Table 3: Data Assets as the Foundation for Data Classification and Grading

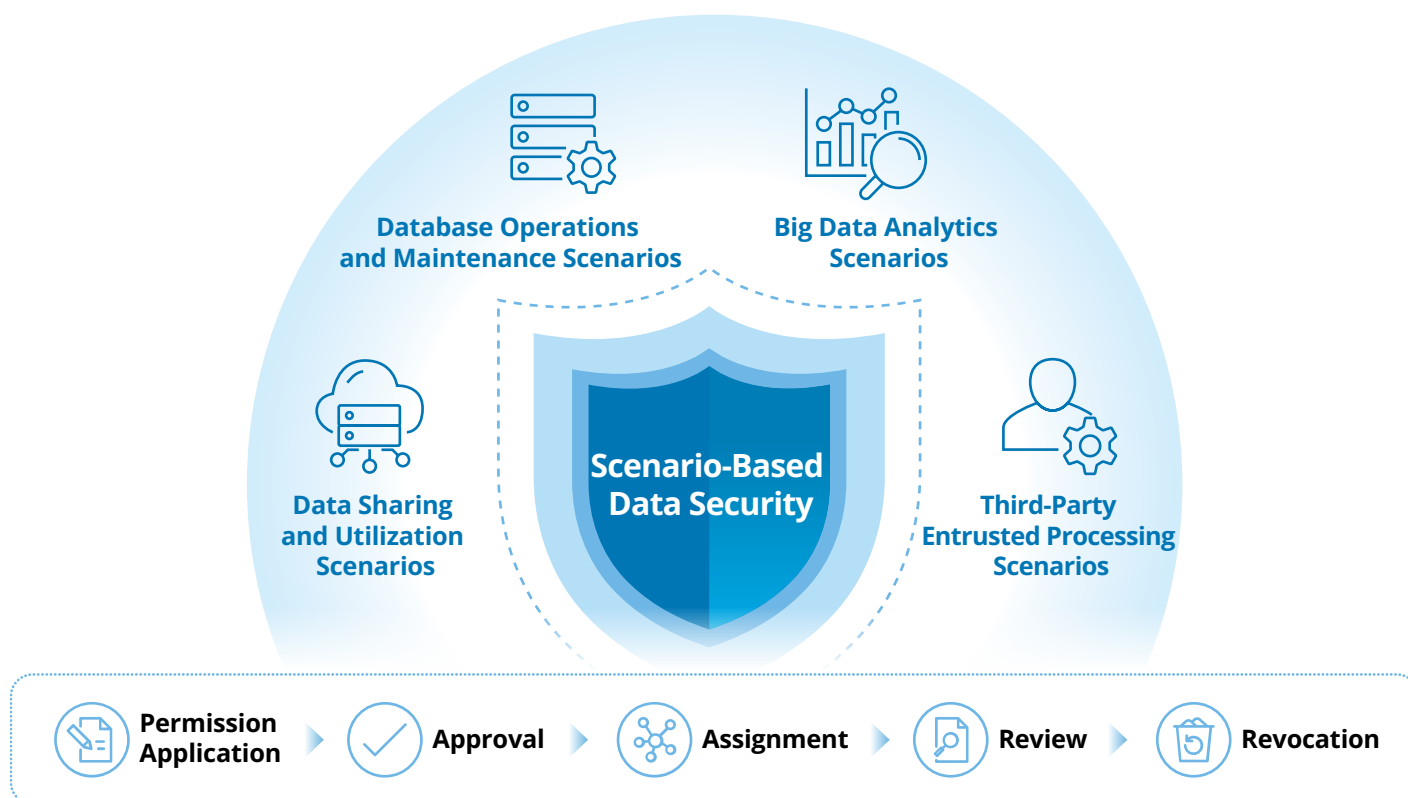
Measures for the Data Security Management of Banking and Insurance Institutions	GB/T 43697-2024 Data Security Technology – Rules for Data Classification and Grading	Measures for the Administration of Data Security in the Business Fields of the People’s Bank of China	JR/T 0171-2020 Personal Financial Information Protection Technical Specification	JR/T 0197-2020 Financial Data Security – Guidelines for Data Security Classification	GB/T 35273-2020 Information Security Technology – Personal Information Security Specification
Core Data	Core Data	Core Data			
Important Data	Important Data	Important Data		Level 5	
General Data	General Data	General Data	C3	Level 4	Sensitive Personal Information
			C2	Level 3	
			C1	Level 2	Personal Information
				Level 1	

2 Scenario-Based Implementation of Data Security Management

By embedding security requirements into specific business scenarios, financial institutions can further solidify the data security management accountability across all departments and positions, thereby driving the accountability system from the institutional frameworks down to practical operations. In addition, institutions can focus on key usage scenarios, such as database operations and maintenance, big data analytics, data sharing and utilization, and third-party entrusted processing, to define, for each scenario, the data access entities, the principle of least privilege, and the boundaries of compliant use, thereby preventing unauthorized access and privilege abuse. Across all business scenarios, institutions should establish

an access management mechanism that covers the entire lifecycle of permissions—from application, approval, assignment, and review to revocation—supplemented by a full-process operational audit system. This ensures that data access, querying, and export activities are recordable, traceable, and auditable, comprehensively enhancing the controllability and compliance of data usage behaviors.

Data security capability building should not be confined to policy documentation or tool deployment; rather, it should be embedded into business processes and the full lifecycle of system operations, facilitating the deep integration of data security technologies with business workflows.

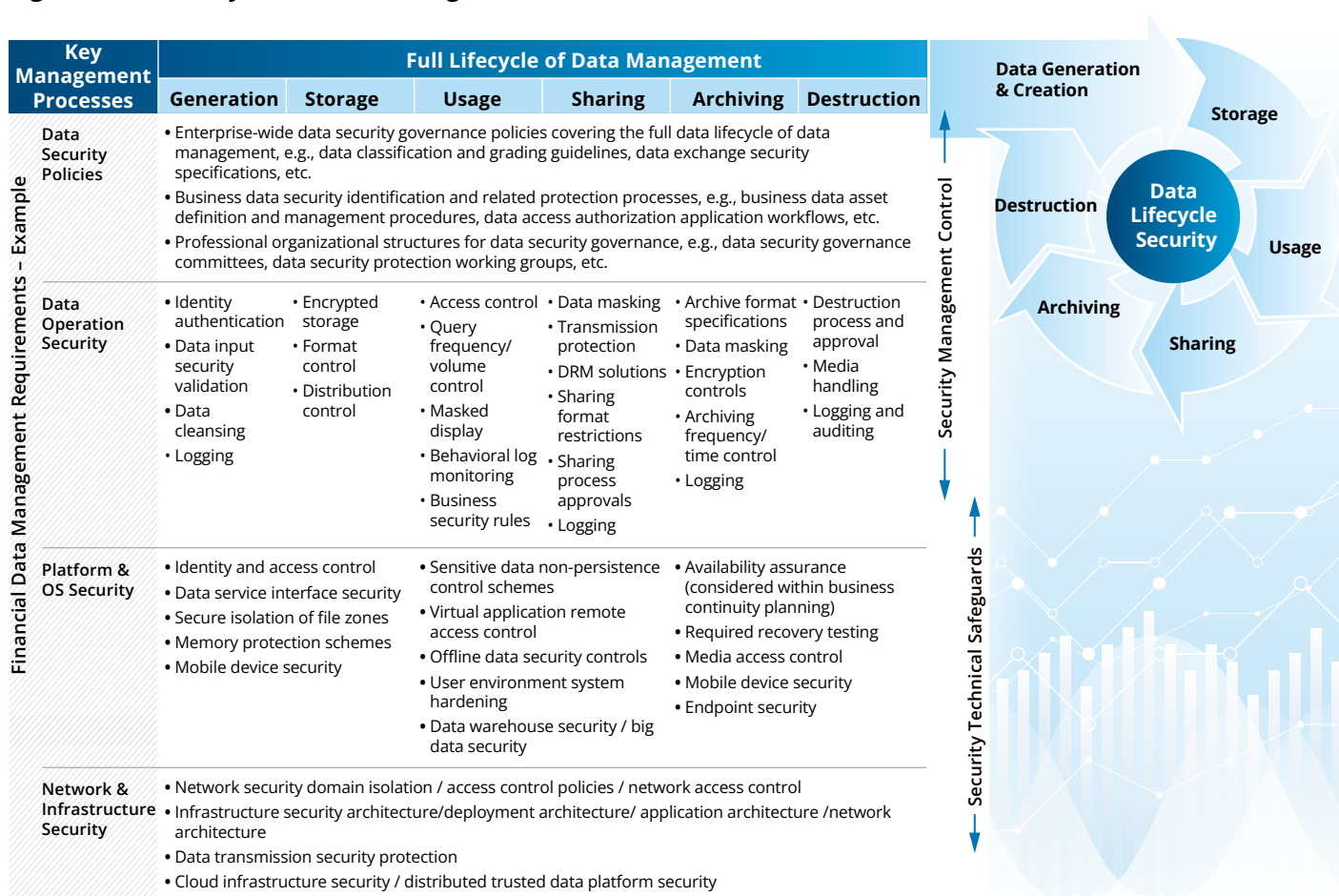
Figure 1: Scenario-Based Implementation of Data Security Management

3 Data Security Throughout the Full System Lifecycle

By embedding data security requirements concurrently into each phase of the system lifecycle, including development, testing, launch and deployment, and routine operations, financial institutions can ensure consistent, continuous, and effective data protection throughout the entire system lifecycle, thereby effectively meeting

the Special Action’s requirements for both practicality and effectiveness. This necessitates that the financial institutions integrate data security into every stage of development, testing, launch, and operations, so as to guarantee full-process compliance and controllability.

Figure 2: Full Lifecycle of Data Management



4 Establish a Monitoring System for High-Risk Behaviors in Data Usage

Financial institutions should focus on high-risk behaviors such as anomalous access to sensitive data, unauthorized data flows, and improper data usage, and establish a targeted monitoring system accordingly. This should be complemented by well-defined organizational structures and management processes for risk assessment,

emergency response and reporting, and incident handling. The monitoring system for data usage can satisfy the regulatory core requirements of verifiability, traceability, and effectiveness, enabling timely prevention of various data security risks and effectively reducing the probability of data security incidents.

Figure 3: High-Risk Behavior Monitoring System



5 Addressing Data Security Risks in the Use of New Technologies

The widespread application of new technologies such as big data, process automation, and artificial intelligence in the financial sector relies heavily on large-scale data support. Financial institutions should therefore pay close attention to the data security challenges posed by these technologies. During the R&D and operational phases of these technologies, including activities such as model algorithm development, automated decision-making analytics, and data labeling, data security and compliance requirements

should be proactively embedded into application scenarios, clearly defining the scope of data usage, operational permissions, and division of responsibilities, strengthening risk assessment and control, and monitoring the outcomes of automated processing and system operations. While encouraging business innovation, financial institutions should effectively mitigate compliance risks and data security vulnerabilities brought about by new technologies.

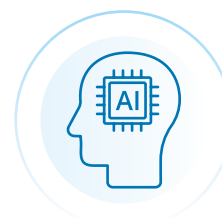
New Technology Applications



Big Data



Process Automation



Artificial Intelligence

Conclusion

Data security is not only an inherent requirement for the prudent and compliant operation of financial institutions, but also a necessary precondition for safeguarding financial stability, and a critical enabler for promoting high-quality development of the financial sector. The Special Action, driven by the “Four Batches” framework and advanced through phased milestones, directly targets the long-standing pain points in the implementation of financial data security governance. Financial institutions should seize this opportunity to implement responsive strategies, address implementation challenges, enhance data security management capabilities, and strengthen data security protection capabilities, collectively fostering a sound environment for the safe and stable operation of the sector.

Deloitte offers integrated solutions in the data security domain and is currently assisting numerous financial institutions in this Special Action, including: supporting institutions in carrying out data security self-inspections, such as data security risk assessments and data security management audits; assisting in improving data security management systems; and helping to build data asset frameworks, among other professional services in the data field.

5 Preventing risks and forging breakthrough strategies for retail credit: Practice and implementation of the barbell strategy



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Current Status and Risk Landscape of Retail Credit Market



Retail Loan Growth Stalls and NPLs Climb

In recent years, the growth momentum of China's retail lending market has weakened significantly. A comparison of publicly available data from listed banks between 2024 and 2025 reveals a clear trend of structural slowdown in retail credit growth, intensifying risk stratification, and a strategic shift toward risk control and quality improvement. Among the four largest state-owned banks, retail loan growth has slowed down, with higher NPL formation rates and pronounced internal divergence, while risk pressures have increased notably compared with previous periods. For joint-stock banks, retail loan growth was mostly positive in 2024, but showed significant divergence in 2025 and approached near-zero growth on aggregate—with NPL ratios generally higher than those of the four largest banks, except for a few top performers. City commercial banks experienced a deceleration in retail loan growth in 2025, with NPL formation rates remaining elevated and risk pressures significantly greater than those of national banks. Overall, the industry has transitioned from the scale-driven expansion of 2024 to a phase of moderating growth, risk stratification, and structural optimization in 2025, characterized by a pattern of steady but declining growth among the four largest banks, portfolio restructuring and risk control efforts among joint-stock banks, and growth-constrained, higher-risk conditions for city commercial banks. The industry as a whole has entered a “low-growth, high-risk” phase of development. The deceleration in retail lending growth has become a common industry-wide issue, accompanied by persistent upward trends in NPL metrics and mounting asset quality pressures.

Of particular concern is the emergence of “localized outbreak” patterns in risk across specific products and regions: at the industry level, NPL ratio for credit products is significantly higher than the average for total retail loans, making them the primary source of retail credit risk exposure. Personal business loans have shown notable regional divergence, with weak second-tier and third-

and fourth-tier cities becoming the epicenters of risk concentration, where some city commercial banks have reported NPL ratios exceeding 5% on personal business loans. Notably, following the early emergence of risks in credit guarantee products, risk is now gradually spreading to secured asset classes such as auto-backed mortgages and residential property-backed mortgages.

A Cause Analysis of Retail Credit Risk

The concentrated manifestation of retail credit risks stems from the compound amplification of four interconnected factors: **customer structure, business model, external environment, and risk management system**, ultimately culminating in sector-wide risk exposures.



Retail Credit Risk Control Breakthrough: Effective Application of the Barbell Strategy

In response to the complex risk landscape of the retail credit market, the **barbell strategy**, with its core logic of “dual-ended positioning, risk hedging, and complementary returns”, has emerged as an effective methodology for banks to break through development bottlenecks. Having been validated through overseas practice and further optimized to reflect the specificities of China’s local market, this strategy demonstrates strong practicality and adaptability.

The core logic of the barbell strategy

The core of the barbell strategy lies in **appropriately ceding the fiercely competitive and overstretched middle-tier customer segment, while concentrating on the two ends—the prime customers and the marginally acceptable customers**. Through refined customer segmentation, differentiated product design, and precise risk control, this approach achieves the business objectives

of “ensuring stability with prime customers and enhancing returns with marginally acceptable customers”, thereby building a retail credit portfolio that maintains a dynamic balance between risk and return.

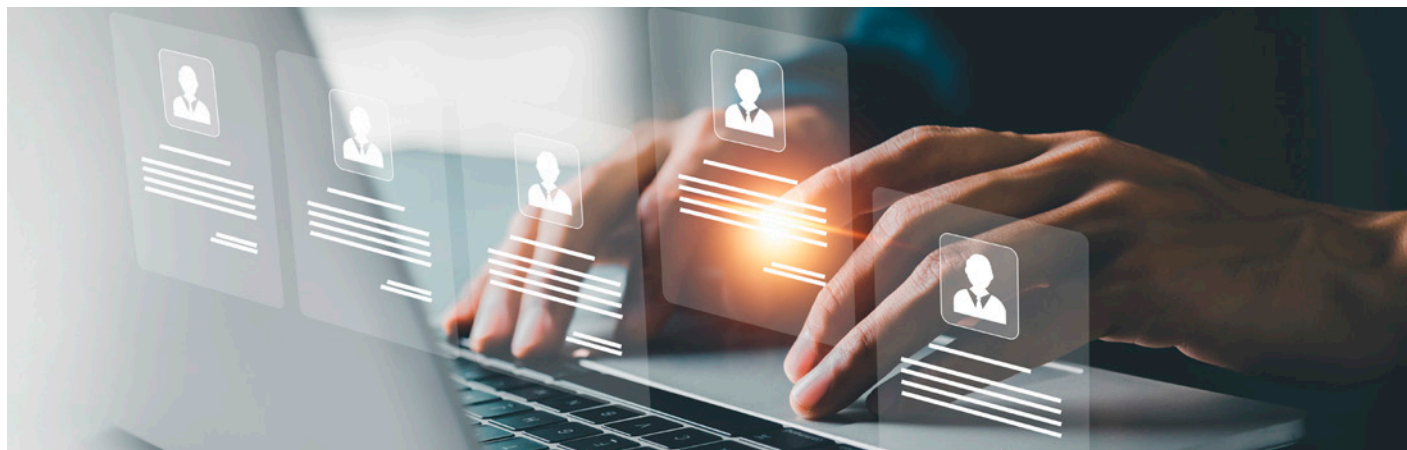
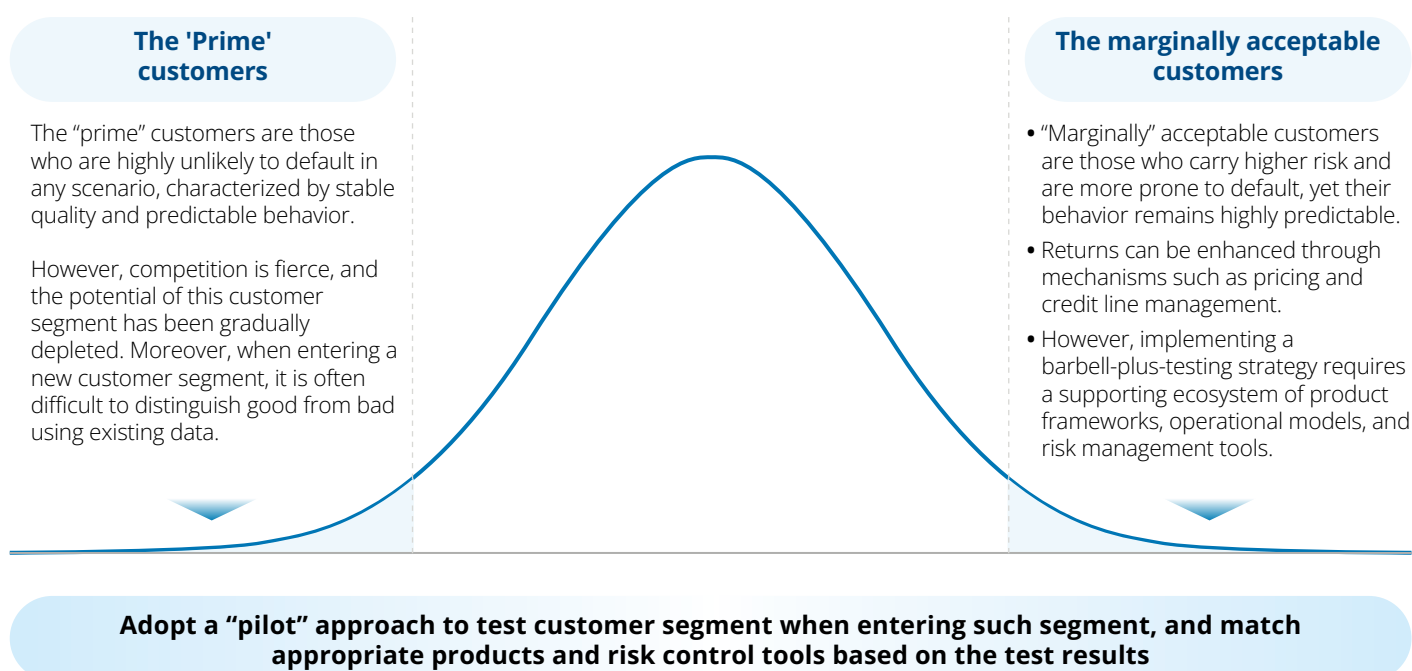


Figure 1: Diagram Illustrating the Core Logic of the Retail Credit Barbell Strategy



- **On the left side are the prime customers:** characterized by strong credit quality, robust repayment willingness, predictable behavior, and low risk—yet facing intense competition. The core strategy is “to provide comprehensive services, embed into customer scenarios, and enhance retention”, leveraging this segment to underpin the business foundation and maintain asset quality stability.
- **On the right side are the marginally acceptable customers:** relatively higher risk, with some default potential, but their behavioral patterns remain highly predictable. The core strategy is “risk-based pricing with strict limit controls and precise risk management”, using scientific pricing to cover risk costs and generate excess returns.

- **In the middle lies the intermediate segment:** characterized by cutthroat competition, customer homogeneity, and a mismatch between risk and return, making it a “strategic divestment zone” where resource allocation is reduced to avoid getting entangled in “price wars” and “risk wars”.

The essence of the barbell strategy is **“refined risk management”**, not simply “customer segmentation selection”. It refers to transforming risk into return through in-depth insights and differentiated operations for customer segments at both ends, achieving “maximized returns under controlled risks”, thereby fundamentally differing from the traditional “one-size-fits-all” customer management model.



Key elements for implementing the barbell strategy

The effective implementation of the barbell strategy is not merely the optimization of any single aspect, but rather requires the support of four core capabilities—**customer insight, product pricing, risk control, and operational model**. These four elements are interrelated and indispensable, forming a closed loop.

Table 1: Four Key Elements and Core Requirements for Barbell Strategy Implementation

Key Elements	Core Requirements
Customer Insight	Break through traditional segmentation dimensions to build multi-dimensional, refined customer profiles, enabling precise identification of “good and bad customers”
Product Pricing	Design an adaptive product portfolio tailored to the two ends of the customer spectrum, leveraging risk-based pricing to align returns with risk
Risk Control	Implement full-process risk management across the “pre-loan, in-loan, and post-loan” lifecycle, dynamically adjusting strategies in response to macro indicators to achieve precise risk control
Operational Model	Adopt an intensive, digital, and standardized operational model to enhance efficiency and support swift strategy execution.



Reflections on the localization of the barbell strategy

Deloitte believes that China’s retail credit market is characterized by **significant regional disparities, pronounced scenario-based features, and the continuous emergence of new customer segments**, necessitating that the implementation of the barbell strategy cannot be mechanically replicated from overseas experience but must be optimized to align with domestic market characteristics through measures such as pilot-first approaches, scenario-based expansion, and macro-driven adaptation.

- 1. Pilot-First Approaches:** For emerging customer segments, existing data are often insufficient to differentiate between good and bad customers. A small-scale pilot should first be conducted to test risk profiles, product suitability, and risk control effectiveness. Based on the pilot results, product design, pricing strategies, and risk management tools should be refined before scaling up. Examples include sectors such as the pet economy, rural revitalization, and cross-border e-commerce.
- 2. Scenario-Based Expansion:** Build a customer acquisition system anchored in scenario-based finance, identifying sub-segment needs within core scenarios and embedding the barbell strategy into scenario operations. Examples include scenarios such as affordable housing, automobiles, consumption, business operations, and rural revitalization.
- 3. Macro-Driven Adaptation:** Establish a macro-driven strategic decision-making framework with scenario analysis capabilities, integrating macroeconomic indicators (GDP, unemployment rate, housing price index, etc.) into strategic planning and resource allocation. Review and refine credit strategies across different scenarios to enhance the forward-looking and adaptive capacity of the barbell strategy, mitigating the impact of economic cycles.

Overview of Deloitte's Approach to Retail Credit Risk Control

In response to the risk landscape of the retail credit market and the implementation demands of the barbell strategy, Deloitte has developed an **“full-process, customized and end-to-end”** solution. Spanning risk control system setup, barbell strategy execution, and organizational capability building, this solution delivers comprehensive value-added services to banks, empowering them to break through development bottlenecks.



Establishment of a full-process risk control system

Leveraging the “Three Lines of Defense” risk management framework, Deloitte builds for banks **an integrated, full-process risk control system covering the entire “pre-loan, in-loan, and post-loan” lifecycle**. This system enables precise risk identification, measurement, control, and monitoring, thereby laying a solid foundation for the effective implementation of the barbell strategy.



Pre-loan Origination Stage

Optimize KYC/KYB processes, build a multi-dimensional risk identification indicator system, and integrate internal customer data with external data from credit bureaus, commercial and industrial registries, tax authorities, and utility providers to achieve granular customer risk insights; assist banks in establishing a “1+N” scoring framework and conducting segment-specific adaptability tests to ensure that scoring models are aligned with diverse customer segments and scenarios.



In-loan Approval Stage

Develop risk measurement models tailored to the two ends of the customer spectrum, including a comprehensive credit facility model for prime customers and a risk-based pricing model for marginally acceptable customers; establish a risk limit management framework that sets differentiated credit limits and usage rules for different customer segments; digitize and automate the approval workflow to enhance both efficiency and precision.



Post-loan Management Stage

Develop behavioral scorecards and supporting early-warning models that dynamically adjust alert thresholds based on customer transaction behavior, repayment patterns, and macroeconomic indicators, enabling “more refined and deeper” risk warning capabilities; optimize the collection system by establishing a tiered collection approach that integrates “intelligent robotics + manual collection”, with differentiated strategies tailored to customers of varying risk levels; establish a collateral management framework, with a focus on enhancing valuation models for housing-backed and auto-backed mortgage loans, and improve market risk monitoring mechanisms.



Unified Credit Management

Under regulatory policy requirements on managing shared debt risks for individual customers, strengthen retail unified credit management by advancing the development and application of income estimation models, individual customer limit models, person-enterprise combined limit models, and multi-dimensional comprehensive credit assessment models, to effectively mitigate shared debt and over-credit risks, implement the retail credit barbell strategy, and achieve robust, risk-controlled credit granting.



Customized implementation services for barbell strategy

Deloitte will provide **customized implementation services for barbell strategy**, tailored to the commercial bank's inherent strengths, customer segment characteristics, business scale, and development goals — spanning customer segmentation and positioning, product

system optimization, operational model upgrading, and technology enablement—to achieve end-to-end strategy execution, ensuring the strategy aligns with the bank's realities, adapts to market characteristics, and delivers measurable business outcomes.

Table 2: Deloitte's Customized Barbell Strategy Implementation Services

Service Module	Core Service Content
 Customer Segmentation and Positioning	Identify core characteristics of prime and marginally acceptable customer segments through data analytics and market research; build multi-dimensional customer segmentation models; establish customer admission criteria and tiered segmentation strategies.
 Product System and Pricing Optimization	Design differentiated product portfolios for the two customer segments, optimizing product terms, interest rates, credit limits, and tenors; establish product risk-return assessment models to enable risk-based pricing; drive capabilities for rapid product innovation.
 Operational Model Upgrade	Assist in building a “credit factory” model to achieve centralized approval, standardized product design, and automated business processes; promote resource integration through centralized approval, centralized collections, and centralized model management.
 Risk Control Capability Enhancement	Assist banks in establishing a unified retail credit management framework for individual customers , enabling centralized credit approval, standardized limit rules, and automated risk monitoring; drive the integration of unified limits, unified models, unified credit views, and unified risk controls , comprehensively supporting full-lifecycle credit management and co-borrowing risk prevention for individual customers.
 Technology Empowerment	Build a unified data platform to integrate internal and external data resources, enhancing data governance and application capabilities; develop intelligent credit management systems to enable full-process digitalization.

During the implementation of the barbell strategy, Deloitte Consulting emphasizes **“integrating strategy with operations”**, avoiding a “strategy-for-strategy’s-sake” approach. Through in-depth research into the bank's existing business foundation, we identify operational pain points and areas for optimization, ensuring that the

barbell strategy is fully aligned with the bank's overarching development strategy, business footprint, and resource capabilities—ultimately delivering a “smooth transition, gradual optimization, and accelerated realization of tangible outcomes”.



Organizational and capability building support

The sustained implementation of the barbell strategy requires the support of **a well-adapted organizational structure and a professional talent pool**. Deloitte will provide banks with organizational structuring optimization solutions to support the effective implementation of the barbell strategy; establish long-term talent development and professional training mechanisms to strengthen

the core competencies of the bank's teams; and offer sustainable mechanisms building, such as product innovation and performance appraisal systems, to create the "organizational safeguards" and "capability underpinnings" essential for the successful execution of the barbell strategy.

Conclusion

Currently, China's retail credit market is at a critical juncture characterized by **"transition and adjustment, risk digestion, and model restructuring"**.

The dual pressures of decelerating growth and rising risk compel banks to move beyond traditional business models and operational mindsets, shifting from scale-driven expansion toward quality enhancement and return optimization. Banks may draw on the barbell strategy framework, strengthening capabilities across **customer insight, product pricing, risk control, and agile operations**, to build a refined retail lending development system and supporting mechanisms, while also cultivating professional teams equipped with comprehensive capabilities.

6 Standing at the New Starting Point of the "15th Five-Year" Plan: Challenges and Responses of VAT Legislation to Bank Tax Management

Current situation and background

The period covered by the "14th Five-Year" Plan was a critical phase for China as we embarked on a new journey to build a modern socialist country in all respects, and also an important stage witnessing markedly accelerated progress in putting taxation on a legal footing. In December 2019, the Ministry of Finance released the Draft Value-Added Tax Law (for Public Comments) for the first time, marking the official launch of VAT legislation work. Multiple rounds of public consultations on successive legislative drafts were subsequently carried out, with relevant provisions continuously refined and improved. In December 2024, the Value-Added Tax Law of the People's Republic of China was deliberated and adopted at a session of the Standing Committee of the National People's Congress.

2026 marks the first year of the "15th Five-Year" Plan. The VAT Law officially came into force on 1 January 2026, delivering a historic shift whereby VAT governance has been elevated from administrative regulations to formal legislation. The Outline of the "15th Five-Year" Plan clearly defines the overarching development framework of "law-based governance, digital and intelligent transformation, and green development" for China over the next five years. As a core component, fiscal and taxation system reform charts a clear path for the law-based and standardized development of taxation. This upgrade elevates the legal hierarchy of the VAT regime. For the banking sector, the shifts in VAT policies and systems will exert far-reaching impacts on banks' fiscal and tax administration as well as operational management models.



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VAT legislation imposes new requirements on tax administration within the banking sector. Previously, banks adopted tax treatment practices based on industry conventions due to ambiguous policies, which will now be subject to unified tax policies and standardized tax collection and administration. A core objective of VAT legislation is to unify and integrate fragmented and scattered past VAT policies. It clarifies tax collection rules,

calculation methodologies and liability boundaries in statutory form, putting an end to the previous landscape marked by fragmented policies and differentiated enforcement across jurisdictions. Against this backdrop, banks must strengthen compliance awareness. The benchmark for tax compliance has been upgraded from the traditional standard of "underpaying no taxes" to "full alignment with provisions of laws and regulations".

Analysis and application



Challenges during the "15th Five-Year" Plan period

(I) Challenges at business level

01

Increasing complexity of VAT treatment for financial products

The VAT treatment of financial products has grown increasingly complicated. Under the provisions of the VAT Law and its supporting documents, core banking businesses fall into three categories, namely loan services, direct charge financial services and transfer of financial commodities, with separate tax provisions for each category. Loan services are subject to VAT at a 6% tax rate, with input tax credits temporarily unavailable. Direct charge financial services and transfer of financial commodities are also subject to VAT at a 6% tax rate; while their corresponding input taxes are deductible, taxable turnover may be calculated on a difference basis.

Banks need to factor in corresponding VAT costs when offering various financial products and pricing the products. Complex transactions of financial derivatives, in particular, may involve multiple taxable items. Identifying their VAT attributes and calculating VAT payable and tax burden costs constitute major challenges for banks.



02

Increasing difficulty in tax treatment of cross-border businesses

VAT issues arising from cross-border financial services represent another major challenge confronting banks. For any cross-border service arrangement, careful judgment is required to determine tax liability, tax calculation methods and tax payment timing. The VAT Law lays out principled provisions for "taxable transactions occurring within the territory", yet it remains difficult to judge various emerging and complex scenarios in practice. Take the sale of financial commodities as an example. The new VAT policies define scenarios where "financial commodities are issued domestically, or sellers are domestic entities or individuals" as "taxable transactions occurring within the territory". In practice, transactions involving financial commodities are often intricate. For instance, certain financial derivatives may not be issued on public markets, or both parties to derivative transactions may make reciprocal payments, making it hard to clearly identify the seller of the financial commodity.

Meanwhile, in respect of other services and intangible assets provided by overseas entities to domestic entities, previous regulations excluded "services fully rendered overseas" and "intangible assets exclusively used overseas" from taxable scope. In contrast, the VAT Law and its implementing regulations only carve out an exception for "services consumed on-site overseas". Judging criteria for "on-site consumption overseas" and transactions "directly related to domestic goods, real estate and natural resources" are likely to become contentious points in practical implementation.

03

Tax qualification of emerging business models

Fintech development has created a wide range of emerging business models, and determining the VAT treatment of these models poses a new subject for the tax management of the banking sector. Emerging business models including blockchain finance, AI robo-advisors and supply chain finance lack clear classification under the current VAT regime, making it hard to judge whether they qualify as taxable items. Take supply chain finance as an illustration. Banks cooperate with core enterprises to deliver financing services for small and medium-sized upstream and downstream entities. Such businesses integrate multiple components such as loan services, information services and guarantee services, and the scope of VAT levy and calculation methods shall be determined based on the specific conditions of each segment.

The development of open banking also brings new issues for tax qualification. Banks provide financial services to third-party institutions via API interfaces, generating various types of income such as interface usage fees, data service fees and transaction sharing revenue, each governed by distinct VAT provisions. In addition, banks adopt increasingly diverse cooperation models with fintech enterprises, including technology output, joint platform development and data sharing. The allocation of revenue generated under such cooperation and the party liable for corresponding tax burdens must be clearly stipulated at the time of contract signing. In response, banks need to establish a dedicated tax assessment system for businesses. While rolling out product innovations, they shall attach high priority to tax compliance to guard against legal risks arising from erroneous tax qualification.

(II) Challenges at management level

01

Comprehensive upgrade of internal control systems

The VAT legislation has rendered tax policies more stable and stringent. The progress of VAT legislation imposes new requirements on banks' internal control systems, and banks need to build a full-process tax internal control system covering risk identification, assessment, control and supervision. To achieve this goal, banks shall re-examine tax risk points embedded in business workflows and build internal control mechanisms spanning the whole chain from business origination to VAT treatment, with corresponding tax operating procedures formulated for every segment. Meanwhile, banks shall set up a regular review and update mechanism for tax internal control systems, so as to promptly tackle challenges brought by legal amendments and business development.

02

Markedly increased pressure on staff training

VAT legislation raises higher standards for the professional competence of banks' tax management personnel, and the knowledge framework and capability of existing staff face substantial challenges. Tax management personnel of banks are required not only to be familiar with the provisions of the VAT Law, but also to grasp tax policies applicable to financial services and master judgment methodologies for tax treatment of intricate businesses. At present, most tax personnel in banks, especially grassroots practitioners, lack sufficient professional expertise and experience in handling tax matters for innovative financial products. It is urgent for banks to establish a comprehensive and multi-level tax training mechanism. While delivering in-depth training for tax personnel, banks shall also arrange training for employees in departments involved in tax-related business processes.

03

Increased transformation costs of information systems

VAT legislation imposes higher requirements on banks' tax management systems, resulting in a substantial increase in system construction and operation & maintenance costs. At present, most banks' tax information systems, particularly VAT-related modules, were launched during the business tax-to-VAT reform and feature relatively simple functions that cannot satisfy the more complex and refined tax management standards following the implementation of the new VAT legislation. System transformation involves the reconstruction of tax accounting modules, optimization of integrated business-tax interfaces, and upgrading of risk early warning rules. Banks shall also take full account of system scalability and forward-looking design to accommodate future adjustments to laws and regulations as well as evolving business models.

(III) Challenges at compliance level

01

More stringent tax compliance requirements

Following the VAT legislation, the elevation of legal hierarchy has rendered compliance standards more stringent and explicit. Compared with the former Provisional Regulations on Value-Added Tax and relevant policies, the VAT Law sets higher standardized requirements regarding taxpayers' identification of taxable activities, applicable tax rates, input VAT deduction and other matters. Banks' tax management personnel shall re-examine tax-related judgments on all types of banking products as well as the tax treatments configured in relevant systems. Meanwhile, tax management systems shall align with the provisions of the VAT Law, its implementing rules and supporting documents. Accordingly, banks are required to establish sound internal control systems and strengthen full-process management of tax compliance, to ensure all business segments fully comply with tax laws and effectively mitigate tax compliance risks.

02

Heightened risks of improper tax policy application

Following the VAT legislation, legal liabilities have become clearer and more severe. Nevertheless, laws and regulations cannot cover all business scenarios of banks without exception. In particular, the uncertainty over the VAT treatment of banks' innovative products exposes banks to potential tax risks. Judging from tax law enforcement practices in recent years, tax authorities have intensified supervision over financial institutions with heavier penalties imposed year by year. Should a bank commit tax irregularities, it will suffer direct losses including supplementary tax payments and late fees. Severe violations may even trigger joint inspections by regulatory authorities.

03

Growing complexity in bank-tax authority relationship management

Following the VAT legislation, tax laws are more rigid, with narrower room for policy interpretation. When banks encounter tax treatment issues arising from new or complex businesses, coordinating and communicating with tax authorities will become more difficult. Traditional informal verbal communication channels may no longer work, requiring banks to adopt more formal and standardized approaches to liaise with tax authorities. Meanwhile, tax authorities have been granted more specific and stringent law enforcement powers and procedures, and banks need to adapt to the new law enforcement environment and operational practices. Against the backdrop of the digital transformation of tax administration, banks are also required to comply with the information technology requirements of tax authorities and establish mechanisms for data sharing and information exchange. In addition, heightened tax transparency requirements may oblige banks to furnish tax authorities with more business information and data, which poses new challenges to the banks' information management and confidentiality work. Banks shall strike a balance between compliant disclosure and the protection of trade secrets.



Responses during the "15th Five-Year" Plan period

(I) Improvement of the tax management system

01

Establishment and improvement of bank tax management systems

Against the new shifts resulting from the VAT legislation, the banking industry shall establish and improve its tax management systems to comply with requirements raised by the upgraded legal hierarchy. Formulated on the basis of the VAT Law and tailored to the operational traits of the banking sector, tax management systems shall lay stress on provisions governing tax handling for exclusive banking businesses, covering tax recognition criteria and calculation approaches for diverse services including lending services, transfer of financial products and direct fee-based financial services. Detailed judgment benchmarks and operational standard guidelines shall be rolled out for high-risk tax areas prevalent in banks, such as identification of taxable activities, input tax deduction management and invoice issuance. Furthermore, the systems shall impose mandatory tax assessment for new businesses. Banks shall complete tax compliance assessments before launching new products so as to avert tax risks arising from business innovation.

02

Improvement of the tax training system

Banks shall establish and improve a comprehensive, multi-tiered and regular tax training system. Training on tax rules shall cover not only finance and tax departments, but also extend to business lines. In terms of training content, it shall involve basic VAT concepts and practical operation procedures, as well as targeted elaboration on tax implications and operational tax risks throughout business processes in light of the unique operational characteristics of the banking sector. Banks may cooperate with tax authorities and professional training institutions to introduce external training resources and deliver case-based teaching, enriching training content and formats. Moreover, banks shall build a tax knowledge repository and an online learning platform to support employees self-paced learning, cultivate a positive learning atmosphere, and drive the continuous upgrading and refinement of staff's professional tax expertise.

03

Timely utilization of external professional tax service institutions

Faced with the intricate tax environment stemming from the VAT legislation, banks may engage a high-caliber external team of tax service specialists to underpin material tax-related decision-making in daily operations. The external tax specialist team shall be tasked with interpreting major tax policies, analyzing complex tax matters and conducting tax assessments for new businesses. In the meantime, it can assist banks in fully grasping the legislative intent and core implementation points of the VAT Law. Drawing on its extensive service experience to transfer professional tax expertise, the team will carry out regular policy research, case analysis and forward-looking thematic studies, so as to deliver comprehensive professional support for the bank's tax management decisions.

(II) Establishment of a Comprehensive Tax Risk Management & Control System

01

Establishment of pre-event risk prevention and control mechanisms

Against the backdrop of VAT legislation, banks shall establish and improve a pre-event risk prevention and control system to conduct sound tax risk management at the stages of business design and decision-making. First, formulate a tax assessment regime for new products. Conduct thorough analysis of tax impacts prior to the launch of new products and businesses, with focused consideration given to matters such as judgment of taxable activities, applicable tax rates and input VAT deduction, so as to ensure full compliance of new businesses with relevant VAT provisions. Second, reinforce tax control points embedded in business workflows by adding tax review procedures at key operational nodes. Mandatory tax demonstration procedures must be implemented specifically for high-risk businesses including financial commodity transfer and cross-border financial services. Third, build an early warning mechanism for tax policies. Closely track updates to VAT-related laws and regulations, regularly analyze their impacts on the bank and propose corresponding response measures. Fourth, boost staff awareness of tax compliance to enable frontline employees to identify tax risks in a timely manner.

02

Upgrade of the tax management information system

In response to the new requirements brought by VAT legislation, banking institutions shall revamp and upgrade their existing tax management systems to meet higher standards prescribed by relevant laws and regulations. At present, the tax management systems adopted by most banks only support VAT price-tax separation for core businesses, failing to adequately accommodate tax handling under complex business scenarios, and lack capabilities to cope with big data analysis conducted by tax authorities. As tax authorities expand the scope of "tax governance through data", banks' VAT systems shall no longer be limited to tax accounting, invoice management and tax filing & payment functions. Instead, they shall be connected with other relevant tax categories (such as corporate income tax and stamp duty) to realize tax data analysis and early warning.

Meanwhile, advancing the integration of business and tax systems constitutes a key component of banks' informatization of tax management. Such integration enables synchronous and automatic matching of business data and tax data. Uniform data standards and interface specifications shall be formulated to ensure all business systems accurately transmit tax-related information to the tax management system, including critical data such as transaction amounts, business types, customer information and contract terms. Business-tax integrated management allows tax personnel to keep abreast of business progress and conduct timely tax handling, thereby mitigating tax risks arising from delayed information acquisition.

03

Reinforcement of post-event risk disposal capacity

The establishment of an effective post-event risk response mechanism also serves as an important guarantee for banks' tax risk management. On the one hand, a set of rapid-response risk response plans shall be formulated. Corresponding countermeasures and designated responsible persons shall be defined for different types of tax risks, so that emergency response plans can be activated promptly once tax risks emerge. On the other hand, technical support for risk response shall be strengthened. A dedicated tax expert panel shall be formed, and seasoned tax specialists shall be engaged to enhance the capability to resolve complex tax issues, particularly the capacity to cope with tax risks of new businesses and cross-border tax risks. In addition, sound ties with tax authorities shall be fostered. Banks shall take the initiative to communicate with tax authorities at all levels, fully coordinate with their work, and properly settle tax disputes and mitigate tax risks.

(III) Strengthening communication and coordination between tax authorities and enterprises

01

Establishment of a regular communication mechanism

Under the new backdrop of VAT legislation, the banking sector shall establish and improve regular communication mechanisms with tax authorities to ensure accurate understanding and consistent implementation of relevant policies. Banks shall build multi-level communication channels, with daily contact maintained between headquarters, branches, grassroots outlets and their local competent tax authorities. Dedicated tax-enterprise liaison officers shall be assigned to handle policy consultation, issue feedback, experience sharing and other work, so as to guarantee unobstructed communication channels.

02

Proactive pursuit of policy support

Faced with the challenges brought by VAT legislation, the banking sector shall actively communicate with tax authorities to strive for necessary policy support and a transition period. Prior to launching new businesses, banks shall engage in proactive communication with competent tax authorities to gain a full understanding of relevant policy provisions. For industry-wide issues, banks are advised to take an active part in industry tax policy research, and coordinate with industry associations to apply for policy interpretations or put forward proposals on tax incentives to tax authorities on behalf of the whole industry.

Conclusion

Formal VAT legislation and its implementation bring both opportunities and challenges to banking tax management. From an institutional perspective, the elevation of VAT from an interim regulation to statutory law marks a major advancement in the principle of taxation by law, requiring more standardized and institutionalized banking tax management.

Tax management issues confronting the banking sector are mainly reflected in four aspects: First, complexity in legal application. In light of the distinctive features of financial services, there is uncertainty over whether a transaction constitutes a taxable activity and the applicable tax rate. Second, higher requirements for precise tax compliance. There are gaps in banking tax management proficiency among various categories of banking institutions, which raise the professional competency requirements for tax management staff. Third, the impact of tax costs and tax compliance on business innovation. With the continuous launch of new financial products, tax compliance risks arising from new businesses cannot be overlooked. Fourth, tax coordination for cross-border businesses. Cross-border businesses usually feature sophisticated transaction structures, involving taxable activity judgment and tax liability allocation across multiple jurisdictions, which increases banking tax costs and amplifies tax risks for cross-border operations.

During the new journey of the “15th Five-Year” Plan, it is imperative for banks to realize refined tax management, regular tax compliance and digital transformation of tax management. Tax management is no longer a simple back-office accounting function; instead, it has become a core competitiveness running through the entire process of business development, product innovation and risk prevention and control, which directly affects banks’ operating costs, compliance standards and market competitiveness. Based on the development goals of the “15th Five-Year” Plan, tax matters are no longer merely figures on financial statements, but a touchstone for data governance. Against the general backdrop of legalized tax systems and digitalized tax collection and administration, leading banks shall proactively transform their tax management philosophies and regard “tax compliance” as an asset rather than a cost. By establishing a refined, digital and intelligent tax management system, banks can accurately address challenges brought by tax system reforms, tap into dividends from tax policies, achieve in-depth integration of tax management and business development, and deliver solid support for the high-quality development of banks.

7 Upgrading national standard: In-depth data value exploration through DCMM transition in commercial banks



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Commercial banks act as pivotal hubs of capital flows and naturally accumulate the most concentrated data elements. At present, against the backdrop of steadily narrowing net interest margins, the traditional profit model reliant on scale expansion has hit a bottleneck. Shifting toward refined operation and data-driven development has become an inevitable requirement for survival.

The release of the new national standard *Data Management Capability Maturity Assessment Model (DCMM 2.0)* is far more than an industrial compliance mandate; it essentially serves as a practical roadmap for banks to recognize data as assets. Leveraging the standard implementation and upgrading of DCMM 2.0, commercial banks are entering uncharted territory involving the recognition of data asset on balance sheets, scientific valuation, and the deployment of AI application scenarios. This report avoids stacking macro-level concepts, directly dissects the practical pain points arising from this strategic shift, and proposes corresponding engineering-based solutions.

Strategic shift in data governance of commercial banks

In the past, banks focused their data governance primarily on regulatory compliance reporting and IT system stability, positioning such functions as back-office support and cost centers. As digital finance has been identified as a core area of the Five Major Financial Initiatives, this positioning has undergone a fundamental shift. The top priority of data governance today is to directly support businesses in generating incremental profits and optimizing risk pricing models.



New normal of digital finance business

At the end of 2025, the NFRA issued the Implementation Plan for High-Quality Development of Digital Finance in the Banking and Insurance Industries. The document clarifies that digital finance is no longer isolated technological innovation, but a new evolutionary form of banking business itself. Banks shall carry out substantive integration of business logic, technical architecture and data elements, enable the massive volumes of data accumulated within internal systems to transcend technical barriers, and convert such data resources into quantifiable and assessable digital financial assets recognized on accounting books.



Breaking down internal and external data boundaries

Issued jointly by the National Data Bureau and other authorities, the Three-Year Action Plan for the "Data Factor ×" Initiative (2024–2026) explicitly mandates financial institutions to leverage multi-dimensional public data together with artificial intelligence algorithms to strengthen anti-fraud and anti-money laundering capabilities as well as dynamic risk early warning. This compels banks to boost their internal data processing capacity and enhance their compliant absorption and integration of external data ecosystems.



Implementation of data assetization

Issued by the Ministry of Finance, the Interim Provisions on Accounting Treatment of Corporate Data Resources officially took effect on 1 January 2024, marking that the assetization of data for Chinese enterprises has entered the stage of practical accounting application. Data research and development activities, which were previously recorded as cost expenses in the income statement, now qualify for recognition as "intangible assets" or "inventory" on the balance sheet. This drives banks to transform their underlying data governance systems from merely achieving technical "usability" to satisfying asset-level qualification criteria.



 In-depth interpretation of the updated national standard DCMM

DCMM 2.0 has undergone systematic upgrades in architectural design, evaluation rule framework, and adaptation to underlying technologies underpinning new quality productive forces. It notably shifts data management from a "passive defense" mindset toward "proactive empowerment and value accounting".

 Optimization and expansion of data management standards

The previous version of the standard (GB/T 36073-2018) fails to address how data elements shall be priced. DCMM 2.0 adds a ninth capability domain — the "Data Asset Domain", expanding the total number of capability items to 33. This is far more than a simple quantitative addition; it clearly demarcates the boundary between technical management and business operations from an engineering perspective.

Table 1: Analysis of Full-Spectrum Capability Domains in DCMM 2.0 and Practical Guidance for Commercial Banks

	Capability domains in DCMM 2.0	Key capability items and core revisions	Practical guidance and implementation roadmap for commercial banks
1	Data strategy domain	Strategic planning, strategy implementation, data culture development	Establish the top-level design for including data assets in the balance sheet, and incorporate data quality and asset conversion rate into the KPI assessment system of all business lines.
2	Data governance domain	Governance organization, governance system, governance communication & development	Strengthen the principal leader accountability system, and set up a dedicated Data Asset Management Committee covering business, finance and technology functions.
3	Data architecture domain	Data model, data distribution, data integration & exchange	Build a lake-house integrated data middle office adapted to hybrid cloud and microservice architecture to support real-time stream computing and high concurrency.
4	Data standard domain	Business terminology, reference data, metadata & indicator data	Unify the indicator calibers across all systems of the bank to fundamentally address reasoning biases arising from inconsistent definitions during the training of large AI models.
5	Data lifecycle domain	Demand acquisition, design and development, data archiving and destruction	Improve full lifecycle tracking covering the entire process from data source access to final decommissioning, and establish a data destruction review mechanism to meet compliance audit requirements.
6	Data quality domain	Rule definition, quality monitoring, unstructured data cleansing	Introduce an automatic quality inspection mechanism to supply high-quality pure corpus for large model training and break the utilization constraints of unstructured data.
7	Data security domain	Classification and grading, dynamic authorization, full lifecycle control	Benchmark against the new data security regulations issued by the People's Bank of China, adopt zero-trust architecture and privacy-preserving computing to realize "data available but invisible" and isolation at the microservice level.

	Capability domains in DCMM 2.0	Key capability items and core revisions	Practical guidance and implementation roadmap for commercial banks
8	Data application & circulation domain (restructured)	External data management, data product development, circulation compliance	Standardize the introduction of external data and output of data products, build a standardized API marketplace, and establish a coordination mechanism with national data exchanges.
9	Data asset domain (newly added)	Ownership management, cost accounting, value evaluation, asset operation	Establish a framework for the separation of three rights, smooth the data asset recognition accounting chain covering business, finance and technology functions, and explore data asset pledge and non-pledge financing

The newly introduced “data asset domain” clarifies the boundary between technical management and business operations. Ownership management requires the precise tracking of data sources, flow paths and processing logic at the technical architecture level. Value assessment,

meanwhile, requires the establishment of a scientific cost accumulation mechanism and evaluation model to provide a basis for the inclusion of data in the balance sheet and subsequent financing.



Differentiated requirements of DCMM assessment rules

DCMM 2.0 optimizes the assessment levels by merging the original initial level (level 1) into the managed level (level 2), clarifying that applicant enterprises must have basic controlled management capabilities as the starting point. Meanwhile, the new standard introduces differentiated and customized assessment rules for banks (party A) and fintech service providers (party B). For party A, the assessment indicators focus more on the enabling effect of data on specific business scenarios, the substantive conversion rate

of financial indicators, and the proportion of data-driven intelligent decision-making in overall operations. For party B, the assessment focuses on the advancement of their underlying technical platforms and the effectiveness of data security measures. For enterprises applying for the highest level 5 (optimizing level) rating, new mandatory requirements for “continuous innovation capability” and “driving business model transformation” have been added.



In-depth integration with the AI infrastructure

DCMM 2.0 explicitly proposes to support the “AI+” Action. In the data standard capability domain, the new standard elevates “indicator data” to a core management unit, which helps reduce deviations in large language model (LLM) reasoning within the financial sector caused by inconsistent underlying standards. In addition, the new standard adds extremely detailed unstructured data management specifications targeting massive volumes of

long-term accumulated image materials, voice customer service records, complex legal contracts and other data in the financial industry. This removes the bottleneck of corpus cleaning and annotation for such data in application scenarios like retrieval-augmented generation (RAG) and multimodal large language models (MLLMs), and improves the overall availability of data resources.



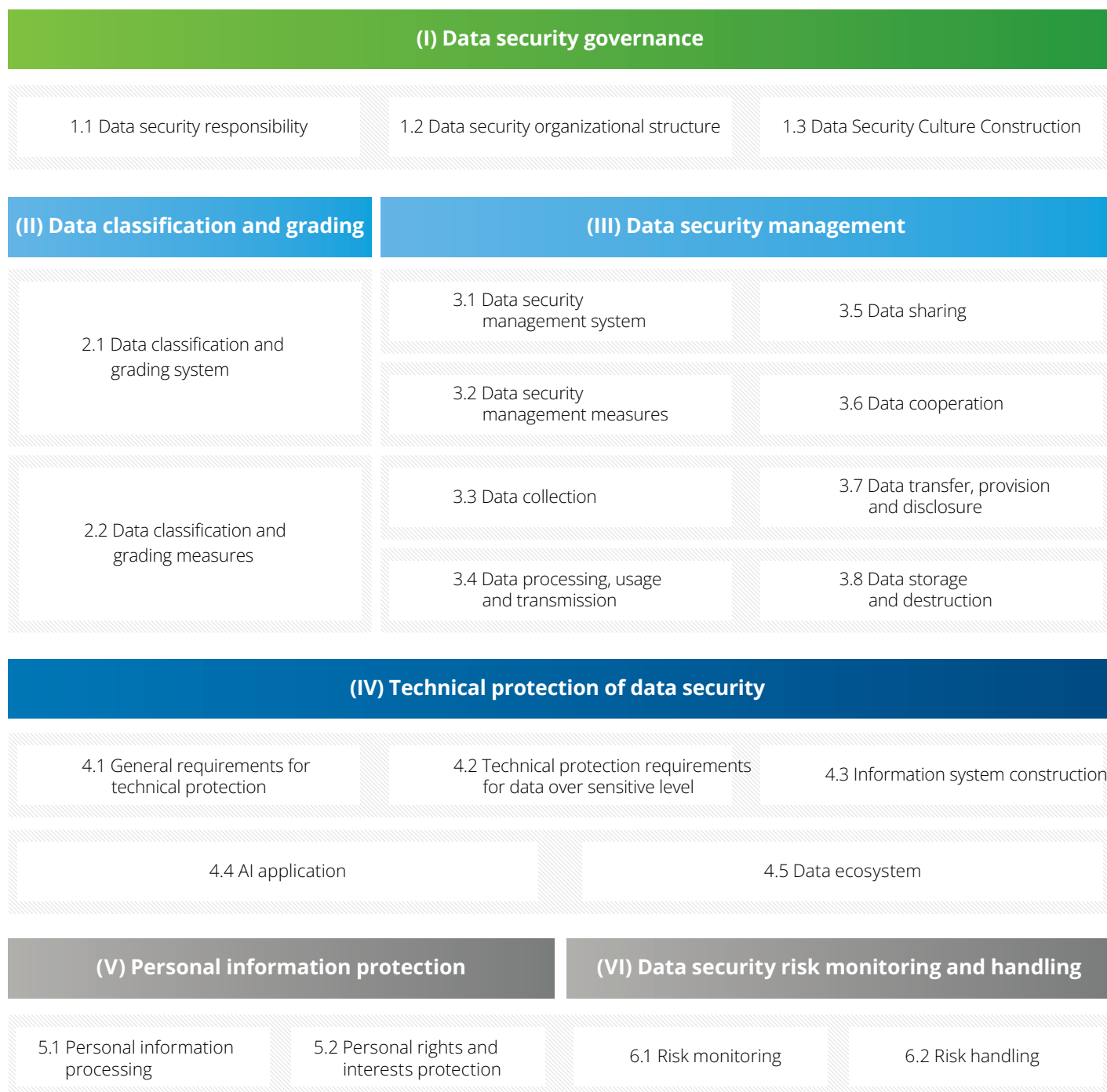
Deep synergy between financial regulation and DCMM

The *Guidelines on Data Governance for Financial Institutions in the Banking Sector* (the “Guidelines”) issued by the NFRA are highly consistent and complementary to the DCMM 2.0 national standard in terms of regulatory logic, implementation pathways and ultimate objectives. The Guidelines are **result-oriented**, requiring banking institutions to establish a bank-wide, penetrating data governance architecture to ensure the authenticity, accuracy and completeness of all regulatory data submissions; as a universal national standard, DCMM 2.0 focuses on **process standardization**, and defines in detail the specific implementation steps and quantitative measurement indicators from data source access to archiving and destruction.

By mapping the macro requirements of the Guidelines to the key process indicators of DCMM 2.0, commercial banks can translate compliance requirements into concrete IT

implementation workflows. For example, the development of an enterprise-wide business terminology dictionary, a mechanism for the cross-system synchronization and distribution of master data, and an automated metadata lineage discovery tool constitute the practical implementation of the Guidelines’ requirements to establish “unified business specifications and technical standards”.

In addition, the Special Actions for Improving Data Security Management Capabilities of Financial Institutions launched by the NFRA in December 2025 marks the official shift of the regulatory perspective from traditional “compliance of institutional documents” to “offensive and defensive capability verification”. This is consistent with the concepts of continuous quality monitoring, dynamic risk assessment and performance quantification emphasized by DCMM 2.0, and the two jointly build the moat of data governance in the banking sector.

Figure 1: Key Points for Self-Examination of Data Security Management of Financial Institutions

Exploring the value of commercial banks' data assets

The core of exploring the value of data factors lies in realizing the leapfrog transformation of non-standardized and fragmented underlying data into standardized and measurable financial assets.



A four-step approach to data assetization

1 Resourceization

Through master data management, data desensitization, quality inspection and structured modeling, banks clean and convert heterogeneous raw data scattered in independent systems such as credit and core accounting systems into high-quality and queryable structured resource sets.

2 Productization

Leveraging privacy computing technologies such as federated learning and secure multi-party computing (MPC), banks combine data resources with specific business logic to encapsulate them as standardized API interfaces or precisely quantified risk control models, endowing them with external service capabilities or internal service attributes.

3 Assetization

After legal right confirmation, technical life assessment and financial impairment test, data products that meet the recognition criteria such as “expected to bring economic benefit inflows” are formally included in the “intangible assets” or “inventories” accounts in the balance sheet.

4 Capitalization

After being included in the balance sheet, the high-quality data (intangible assets) are used as collateral, credit enhancement basis or the underlying target of asset-backed securitization (ABS), and connected to the financial capital market for high-frequency circulation and realization.



Financial status of commercial banks' data inclusion in the balance sheet

Many commercial banks disclosed the status of data resource inclusion in the balance sheet in their 2025 annual reports, 2025 interim reports and 2024 annual reports, but there were obvious differences in specific practices, with an overall prudent attitude. Compared with China Mobile's inclusion amount of up to RMB616 million, commercial banks, constrained by the more stringent Basel Accords and capital provision requirements, appeared to adopt a more

restrained approach. New changes emerged in disclosures in the 2025 annual reports. For example, the original value showed that neither Bank of Ningbo nor Qilu Bank (QLB) included new data resources in 2025; CEB did not make relevant disclosures; only CITIC Bank, Bank of Hangzhou (HZBANK) and EverGrowing Bank (Hengfeng Bank) continued to include new data resources.

Table 2: Financial Disclosures and Core Practical Logic of Major Commercial Banks' Data Resource Inclusion in the Balance Sheet

Banks	Inclusion amount in the 2024 annual report	Inclusion amount in the 2025 interim report	Inclusion amount in the 2025 annual report	Amortization/net book value details
CEB	RMB18.09 million	RMB12.60 million	Not disclosed	Not disclosed separately; included in the closing carrying amount of "other intangible assets" and valued on a consolidated basis.
CITIC Bank	RMB5.79 million (original value)	RMB5.79 million (original value)	RMB19.02 million (original value)	Accumulated amortization of RMB0.85 million and net book value of RMB4.94 million (amortized over an estimated useful life of 3 years); accumulated amortization of RMB3.62 million and net book value of RMB15.40 million as at 31 December 2025.
Bank of Ningbo	RMB6.00 million (original value)	RMB6.00 million (original value)	RMB6.00 million (original value)	Disclosed separately; included in the "intangible assets" account, with a useful life of 3 years clearly stated.
HZBANK	RMB3.483 million (original value)	RMB3.483 million (original value)	RMB6.826 million (original value)	Disclosed separately; included in the initial measurement of the cost of software and data resources; amortization of RMB0.545million as at 31 December 2024; accumulated amortization of RMB1.508million as at 31 December 2025.
QLB	RMB4.565 million (original value)	RMB4.565 million (original value)	RMB4.565 million (original value)	Disclosed separately; included in the "intangible assets" account; accumulated amortization of RMB2.029 million as at 31 December 2025.
Hengfeng Bank	RMB1.12 million (original value)	-	RMB3.45 million (original value)	Not disclosed separately; included in software and others; accumulated amortization of RMB0.11 million and net book value of RMB1.01 million (with a useful life of 3-10 years) as at 31 December 2024; accumulated amortization of RMB0.76 million and net book value of RMB2.69 million as at 31 December 2025.

Data resources: Banks' annual reports and interim reports



Optimizing the data asset management lifecycle

Most banks still face major challenges in meeting the mandatory requirements for data resource inclusion in the balance sheet. For example, Hengfeng Bank disclosed a conversion rate of 5% - after a systematic review of 282 development projects across the bank, only 14 finally met

the criteria for inclusion in the balance sheet. Commercial banks must improve the data asset management lifecycle from the source and optimize the collaboration logic between finance and R&D:



First, adopt capitalization thinking before data project initiation

Adopt capitalization thinking before data project initiation. Abandon the “develop first, account for costs later” model. Introduce the Finance and Accounting Department at the early R&D stage and consult with accountants to clearly define the boundary between the “research stage” that should be expensed and the “development stage” that meets capitalization conditions.



Second, establish a full-coverage cost accumulation system with granular precision

Utilize agile development management tools to record computing power depreciation, storage costs, labor salaries for data cleaning, and cloud service expenses for algorithm training in specific ledgers through precise tags, so as to realize refined accounting.



Third, build the mapping lineage between data products and operating income

Embed tracking points during the application of data products, and quantify bad debt losses recovered or new interest income generated by specific data models through methods such as A/B testing, converting data capabilities into verifiable income vouchers.



Flexible strategies for external ecosystem collaboration

To avoid disputes over the identification of internal on-balance-sheet assets, commercial banks are closely cooperating with licensed local data exchanges. For instance, Shenzhen Data Exchange, in collaboration with CEB Shenzhen Branch, completed the nation's first unpledged credit enhancement financing involving data assets, and cooperated with CCB Shenzhen Branch to assist external data providers in completing pledged data

asset financing. This model of “using right confirmation to replace data asset inclusion in the balance sheet, and using third party's appraisal to replace data asset valuation” completes compliant right confirmation and property rights registration through exchanges, with a third party issuing a fair valuation report, and finally the bank disbursing the loan, which broadens the circulation paths of data assets.



Quantitative results under “AI + data” scenarios

Commercial banks' integrated application of AI and data factors is gradually penetrating from marginal customer service Q&A scenarios to key value creation links such as core credit decision-making, full-chain dynamic risk control, and precise credit granting for sci-tech innovation enterprises. The application of “LLMs + high-quality data” is substantially reshaping the input-output ratio of banking businesses.

Table 3: Examples of Commercial Banks' Core Business Innovations and Quantitative Results under "AI + Data" Scenarios

Bank	Core application scenarios	Basic platforms for key AI application products and technologies	Quantitative business results and substantial industry value
A joint-stock bank	Sci-tech finance ecosystem & corporate credit	"Sperm Whale" digital intelligent customer acquisition & management platform	Launched full-lifecycle services such as "Post-investment Manager", supporting the pilot business scale of M&A loans for sci-tech enterprises to exceed RMB10 billion , achieving full coverage of businesses in 18 pilot cities, and accurately identifying and connecting high-quality sci-tech innovation assets.
A state-owned bank I	Retail & inclusive credit approval	"Zhida Tong" credit agent matrix & "Gong Xiao Shen"	Significantly shortened the processing cycle of complex credit evaluation. Through automated rule extraction and supplementary comparison, the time spent on manual desk review was reduced by over 40% , greatly improving the consistency and timeliness of credit scale approval.
A state-owned bank C	Underlying unstructured data governance	Financial image optical character recognition (OCR) & semantic knowledge graph	Converted massive historical paper contracts and image records into queryable structured factors with high precision (recognition accuracy over 98%), saving a large amount of manual data entry labor costs for the whole bank each year.
A state-owned bank Y	Network risk prevention & control in lower-tier cities and rural areas	Full-chain anti-fraud & intelligent credit review auxiliary system	Optimized the risk control model targeting the customer group in lower-tier cities and rural areas, increasing the effective interception rate of organized gang financial fraud by approximately 30% , and significantly reducing the exposure to bad debt risk in the inclusive finance expansion strategy.
A city commercial bank	Inclusive finance & loans to micro and small enterprises and individuals	"Xiangyin Mortgage Loan" end-to-end AI automation services	By leveraging automated chains that integrate data from multiple departments including the Administration for Market Regulation and tax authorities, the efficiency of the mortgage loan business from application to disbursement was greatly improved, increasing the productivity of account managers by about 6 times and realizing the efficient disbursement of funds.
A joint-stock commercial bank X	Consumer rights protection & compliance	Omni-channel AI agent platform & consumer rights protection review system	LLMs were being deployed on a large scale to assist the compliance review of massive marketing copies, achieving 100% machine review coverage for consumer rights protection texts, and the compliance response time was drastically shortened from the traditional half-day required for manual processing.
A joint-stock commercial bank Z	Comprehensive composite cost risk control system	Dual engines of "LLM Cognitive Reasoning + SLM Precise Calculation"	Skillfully combined the high-dimensional logical judgment of LLMs with the low-cost precise calculation of SLMs, greatly reducing the computational cost per single risk control, while effectively minimizing the false positive rate.

Data sources: Publicly reported and disclosed information from Xinhua Finance, China Daily and other platforms.

Core hidden issues in in-depth data value exploration

The more valuable data is, the more fragile the bottom line becomes. On the path of exploring data assetization, banks currently face three major hidden issues:

Vulnerability of data flow on the full chain

Banks' data no longer stays passively within traditional physical network gateways. High-frequency data calls across enterprises and clouds have formed an extremely complex "mesh-like data supply chain". Under this circumstance, the traditional extensive access control systems based on firewalls and static roles often prove ineffective, triggering risk incidents such as internal fraud or lateral spread of ransomware.



Model bias and AI data poisoning

As LLMs with hundreds of billions of parameters are deeply embedded in credit approval, the lack of transparency and ethical risks brought by algorithmic black boxes are becoming increasingly prominent. If the training corpus itself carries historical biases, it will evolve into systematic credit discrimination and directly trigger a reputation crisis. A more realistic threat is that criminal gangs can trick sophisticated risk control models into making wrong credit decisions by mixing adversarial sample attacks in application materials.



Computing power outsourcing and alienation of data autonomy

Constrained by budget and talent limitations, small and medium-sized banks are highly dependent on underlying computing power infrastructure provided by leading technology providers. This deep ecological binding alienates the independent control of core logic architecture and underlying data. Once a cloud provider experiences an outage or commercial disputes arise, banks will face widespread business disruptions, directly touching the regulatory red line of operational stability.



Conclusion

The evolution of commercial banks' data governance, in essence, is a process whereby data resources are transformed from passive technical support tools into core factors that actively drive businesses. The full implementation of the DCMM 2.0 national standard system, combined with the implementation of the *Interim Provisions on Accounting Treatment Relating to Enterprises' Data Resources* issued by the Ministry of Finance, provides a scientific evaluation and measurement system and a compliant financial confirmation channel for this transformation.

Looking ahead, under the combined influence of multiple policy directions such as "high-quality development of digital finance", "Data Factor ×" competition and "AI+" Action and technological empowerment, commercial banks' business models and service modes will undergo profound changes. Banks' functions will transcend the traditional constraints of static capital flows and credit intermediaries, and gradually expand into a comprehensive service hub that integrates, cleans, processes, fairly prices and circulates new production factors of multi-dimensional data. Commercial banks will leverage data factors to deeply empower the industrial chains of external entities, and then build a new digital finance ecosystem that is open, secure and collaborative.

A steady transition from being passive holders of massive data resources and bearers of high IT costs to becoming active value operators of data assets and providers of new quality productive forces is the only way for commercial banks to realize business model transformation by leveraging the new DCMM 2.0 national standard, and also the key pathway for the banking industry to withstand cyclical risks and achieve long-term, high-quality and sustainable development.

8 Navigating trends with foresight: Analysis of key points of the global internal audit standards and study on adaptive strategies for internal audit in financial institutions

As the cornerstone of organizational governance, the evolution of professional internal audit standards profoundly reflects the unremitting efforts made by internal audit departments to adapt to changes in the global business environment and enhance their own value. The development context of internal audit standards is clearly embodied in three key stages: framework construction, principle orientation, and final standard establishment.

Evolution of internal audit standards

From building a unified “International Professional Practices Framework (IPPF)”, to establishing the “principle-centered” concept to emphasize value delivery, and finally sublimating into a more authoritative, mandatory and globally recognized “Global Internal Audit Standards (GIAS)”, the core goal of this evolution is to continuously enhance the professional credibility of internal audit, improve corporate governance and increase value contribution to enterprises.

This journey can be traced back to the end of last century. The Institute of Internal Auditors (IIA) took the first milestone step to end the fragmented situation of global internal audit practices.



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Hot topics

8. Navigating trends with foresight: Analysis of key points of the global internal audit standards and study on adaptive strategies for internal audit in financial institutions

1999

Release of the IPPF in 1999

In 1999, the IIA integrated disparate standards into a unified *International Professional Practices Framework* (IPPF) for the first time. **Combining mandatory and recommended guidance**, it established an authoritative “common language” and code of conduct for global practitioners, greatly enhancing the professionalism and global consistency of internal audit. This is **a foundational milestone for internal audit to move towards global standardization and systematization**.

2017

Upgrade of the IPPF in 2017

As the business world had grown increasingly complex, enterprises’ expectations for internal audit were no longer limited to compliance. Nearly two decades later, the IPPF underwent a significant upgrade at the conceptual level. In 2017, the **updated version of the IPPF** was released. By revising and establishing 12 core principles as the cornerstone of the entire framework, it shifted the focus of the internal audit profession from “**mechanically complying with rules**” to “**flexibly following principles**”. It placed more emphasis on the value delivery of internal audit, stakeholder relationships and the substantive effectiveness of audit activities, rather than merely formal compliance, marking an **important philosophical evolution** of the internal audit profession.

2024

Release of the GIAS in 2024

To further strengthen consistency and credibility, the IIA released the *Global Internal Audit Standards* (GIAS) in 2024, marking a **fundamental transformation** of the internal audit profession and ushering the professional norms into a brand-new “standards” era. The new standards replaced the former IPPF with 5 domains, 15 principles and 52 specific standards. **The GIAS officially took effect on 9 January 2025 with a one-year transition period**, aiming to **promote global internal audit practices to a higher level of standardization and professionalism**.

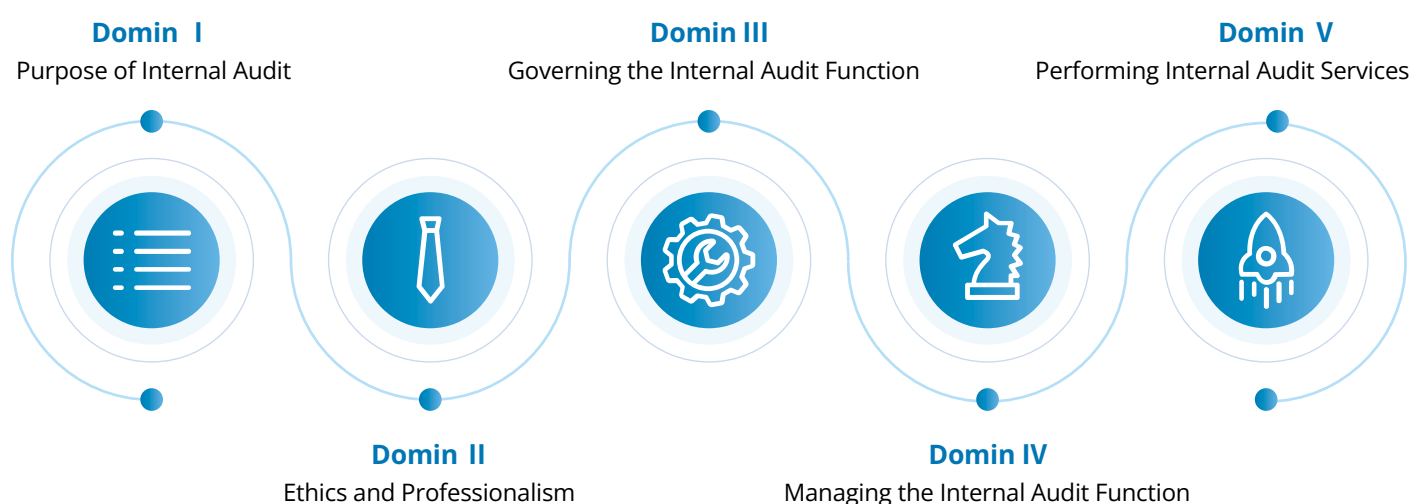


5 domains of the new internal audit standards

The GIAS comprise **5 domains, 15 principles and 52 standards**, with standard consisting of three elements: requirements, considerations for implementation, and examples of evidence of conformance, which build a three-level progressive architecture of “domain-principle-standard”, forming a normative system covering the full lifecycle of internal audit, and realizing the organic unification of principle orientation and practical implementation.

Starting from the **purpose of internal audit**, the GIAS establish core values such as integrity, objectivity, competence, responsibility, due professional care and confidentiality to consolidate the foundation of professional ethics. The standards translate core values into actionable behavioral norms within the domain of

ethics and professionalism; through the domain of **governing the internal audit function**, the standards clarify the authorization by the Board, independent position and assurance and supervision mechanisms, providing organizational and institutional support for audit performance; then, in the domain of **managing the internal audit function**, the standards refine elements such as strategic planning, resource allocation, communication mechanisms and quality control to realize the connection from governance to performance; finally, in the domain of **performing internal audit services**, the standards systematically standardize the whole process of engagement planning, performance, result communication and rectification supervision, forming a complete closed loop from value concepts to practical operations.



Eight cores of the new internal audit standards

The specific changes brought by the GIAS and their requirements for practice can be summarized into eight cores, which systematically outline the future transformation direction and competence requirements for the internal audit function. In this context, the functional positioning, operating mode and value presentation of internal audit are undergoing profound reshaping. This transformation is not simply adding new tools or adjusting

workflows, but fundamentally requires the audit function to deeply integrate with enterprises' strategy, operation and technological innovation, so as to promote its role transformation from a “compliance gatekeeper” to a “strategic partner”. A successful audit function in the future will be a value-driven enterprise unit that simultaneously possesses strategic height, technical depth, governance breadth and insight strength.

Hot topics

8. Navigating trends with foresight: Analysis of key points of the global internal audit standards and study on adaptive strategies for internal audit in financial institutions

Table 1: Key Requirements and Key Points of Practice of the New Internal Audit Standards

No.	Eight core aspects	Description of core changes	Key requirements and key points of practice
1	Strategic leadership shifts from passive performance to proactive empowerment	The audit function must clarify its long-term strategic positioning and become a driver of value creation within enterprises, rather than merely completing audit tasks	- Formulate a 3 - 5 year audit strategy covering vision, objectives and implementation pathways - Ensure that the audit strategy is fully aligned with enterprises' overall strategy - Establish quantifiable performance indicators (such as plan completion rate, rectification rate and satisfaction rate) - Conduct regular joint reviews of strategy implementation with the board of directors (the "Board") and management
2	Professional ethics upgrading provides new standards for professional conduct	Professional ethics are upgraded from basic norms to a comprehensive code of conduct encompassing due professional care, skepticism and courage	- Emphasize "due professional care": maintain reasonable due care during planning and performance - Uphold "professional skepticism": critically assess the reliability of information - Advocate "professional courage": have the courage to reveal problems and communicate risks truthfully - The Chief Audit Executive (CAE) shall create a supportive environment to ensure the team's independent expression - Strengthen the responsibility of information confidentiality to protect privacy and ownership
3	Governance collaboration enhancing clarifies the tripartite authority-responsibility relationships	A clear governance structure and collaboration mechanism among the Board, the management and the CAE (collectively the "three parties") are built	- The Board shall regularly receive reports from the CAE independently and set reporting standards for significant risks - The management must support the authority of the audit function to ensure that the audit work is free from interference - The CAE shall promote the three parties to reach a consensus on audit authorization - Establish a budget approval mechanism to ensure that sufficient resources are made available - Strengthen coordination with internal and external service providers
4	Technology integration deepening becomes a basic capability	Technology is no longer an optional tool, but an essential infrastructure for the operation of the internal audit function	- Incorporate data analysis, automation, AI and cybersecurity into the routine work of internal audit - The CAE shall formulate a data strategy, assess technical bottlenecks and report their impacts - Promote new technology training to improve the team's digital skills - Collaborate with the IT/security department to ensure the effective application of technology - Include technology input in budget planning to guarantee continuous upgrading
5	Full-process risk embedding realizes risk orientation throughout the whole process	All stages of internal audit shall be deeply integrated with enterprises' risk and governance framework to achieve systematic management	- Planning stage: Identify emerging risks and verify the effectiveness of the ERM system - Performance stage: Focus on high-risk areas and evaluate the effectiveness of controls - Reporting stage: Rank findings according to standards and analyze root causes and impacts - Ensure systematic audit processes, standardized judgments and traceable conclusions

No.	Eight core aspects	Description of core changes	Key requirements and key points of practice
6	Quality management advancing establishes an internal and external closed-loop supervision mechanism	Quality assurance shifts from formal compliance to substantive improvement, emphasizing independence and rectification	• Report the results of internal quality assessment to the Board annually • Conduct an external quality assessment (EQA) every five years • The EQA team shall include at least 1 current CIA, and the report shall be submitted directly to the Board • Self-assessments shall be formally documented and approved by the Board • Make rectification plans for identified issues and track them to closed-loop completion
7	Result value lifting requires a shift from identifying issues to delivering insights	Audit results need to go beyond isolated issues, with trending and strategic insights provided	• Deliver conclusions for all audit engagements to assess the effectiveness of governance and controls • Prioritize identified findings and focus on critical issues • Aggregate results from multiple audits to identify risk trends, systemic deficiencies and improvement opportunities • The CAE shall submit thematic recommendations and trend analyses to senior management in a timely manner
8	Resource capacity building provides core support for sustainable development	The success of the internal audit function relies on the systematic allocation of human resources, technology and training	• The CAE shall lead the budget application to ensure that human and technical resources are available • Regularly evaluate the application of technology to identify capability gaps • Organize regular training to enhance the team's professional and digital competencies • Coordinate internal and external resources to improve service efficiency and professional standards

With “Purpose - Professionalism - Governance - Management - Services” as central theme, the GIAS systematically put forward eight core transformations of the internal audit function positioning and practice framework around key dimensions including strategic leadership, professional ethics, governance collaboration, technology integration, risk embedding, quality management, result value and resource capability. These transformations

not only strengthen the core value of internal audit, but also respond to the new requirements brought by digital transformation, stricter supervision and upgraded organizational governance. Finally, the requirements of the standards are further condensed into the following eight brand-new core domains, forming a complete transmission chain from top-level design to on-site implementation.

Hot topics

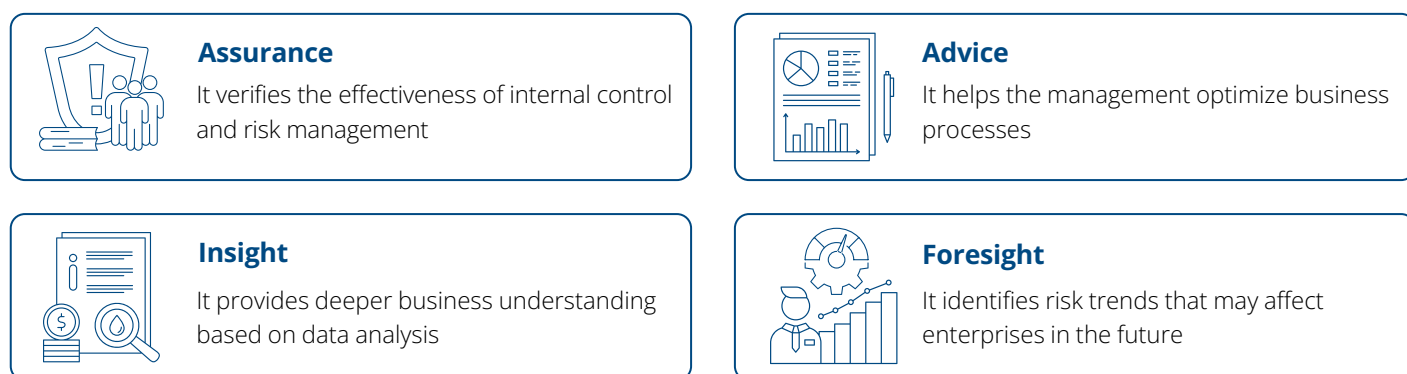
8. Navigating trends with foresight: Analysis of key points of the global internal audit standards and study on adaptive strategies for internal audit in financial institutions

Core transformations of the internal audit function

Core I: Strategic alignment and value creation

Strategic leadership requires a shift from passive performance to proactive empowerment, targeting long-term value creation. First, the internal audit function upgrades from a “task performer” to a “strategic partner of enterprises”, and needs to drive value creation through long-term planning. Second, it emphasizes the deep alignment between the audit strategy and the enterprises’ strategy to avoid the “two separate strategies” phenomenon.

Internal audit function strengthens enterprises’ capability to create, protect and sustain value



Core II: Professional ethics upgrading

A professional culture centered on due professional care, skepticism and courage is fostered. First, professional ethics is upgraded from the “bottom line of compliance” to a three-in-one code of conduct integrating “due professional care, skepticism and courage”. Second, the new requirement of “professional courage” is added to encourage auditors to break through resistance and reveal significant risks.





Core 3: Governance collaboration enhancing

The tripartite authority-responsibility relationships are clarified to build a supportive governance ecosystem. A “triangular governance model” consisting of the Board, the management and the CAE is established so as to avoid audit interference caused by ambiguous authorities and responsibilities.



The Board

The Board formally grants the internal audit function its authority and oversees its independence, approves the internal audit charter, clarifies roles, and reports relationships and independence assurance measures; regularly discusses the scope of authorization with the CAE and makes timely adjustments.

The Board ensures that the internal audit function is equipped with sufficient resources, including human resources, data access permissions and audit budgets; meets with the CAE regularly to receive regular reports on key contents such as the audit plans and budgets, significant changes, independence risks, key results and engagement quality assessments; works with the management to ensure that sufficient resources are available in the event of resource shortage; conducts an external quality assessment of the internal audit function at least every five years.



The management

The management works with the Board to ensure that the internal audit function is equipped with sufficient resources, including human resources, budgets and technical support; facilitates the communication between the Board and the CAE to ensure the smooth conduct of audit work.



The CAE

The CAE regularly discusses the scope of internal audit authorization with the Board and the management, and proactively reports key work contents; should independence be compromised, the CAE reports it to the Board in a timely manner and takes remedial measures.

The CAE manages the operation of the internal audit function; ensures that the authorities and responsibilities of the internal audit function are incorporated into the internal audit charter; formulates and maintains the quality assurance and improvement program (QAIP).

The CAE assesses whether the audit resources are sufficient, and submit improvement proposals to the Board in the event of resource shortage.

Hot topics

8. Navigating trends with foresight: Analysis of key points of the global internal audit standards and study on adaptive strategies for internal audit in financial institutions



Core 4: Technology integration deepening

Technology has become the “infrastructure” for the operation of the internal audit function. Technology has been upgraded from a “supporting tool” to an “audit infrastructure”, requiring all auditors to master basic data analysis capabilities.

Principle 8 Overseen by the Board

Standard 8.2 Resources

The CAE must assess whether the audit resources are sufficient, and submit improvement proposals to the Board in the event of resource shortage.

The Board and the management shall jointly ensure that the internal audit function is equipped with sufficient resources, **including human resources, budgets and technical support.**

Principle 10 Manage resources

Standard 10.3 Technological resources

The CAE must assess and optimize **technology tools for auditing** (such as data analytics and automated audit tools) to improve audit efficiency and quality.

The CAE must ensure that the audit team are **capable of using the technical resources and provide necessary training for them.**

Principle 13 Plan strategically

Standard 13.5 Engagement resources

Identify the financial, human and technical resources required to complete the audit engagements, and report to the CAE in the event of resource shortage.



Core 5: Full-process risk embedding

Full-process risk embedding requires realizing the dynamic alignment between the audit processes and the risks faced by enterprises. First, all audit stages need to be deeply integrated into the enterprise risk management (ERM) system to avoid the “disconnection between auditing and risks”. Second, it emphasizes risk-based auditing, requiring auditors to determine work priorities according to risk levels.

The internal audit function has transformed from a traditional periodic checker to a real-time, forward-looking core component embedded in the enterprises’ risk governance system.

Plan strategically

Multiple domains explicitly require the CAE to understand the impact of enterprises’ overall governance, risk management and control processes on the conduct of audit work.

In the stage of audit planning, the internal audit function shall ensure that the risk assessment methodology adopted can help it effectively identify and assess emerging risks. If relying on risk information provided by the management, it shall ensure that the ERM system is effective.

Perform

In the stage of audit performance, the internal audit function shall develop the engagement work plan, focus on the risks related to the auditee, and evaluate the effectiveness of controls.

In the stage of audit evaluation, the internal audit function shall use established evaluation criteria to rank each potential audit finding based on priority, identify root causes of issues, consider possible impacts of risks, and confirm the materiality of issues.



Hot topics

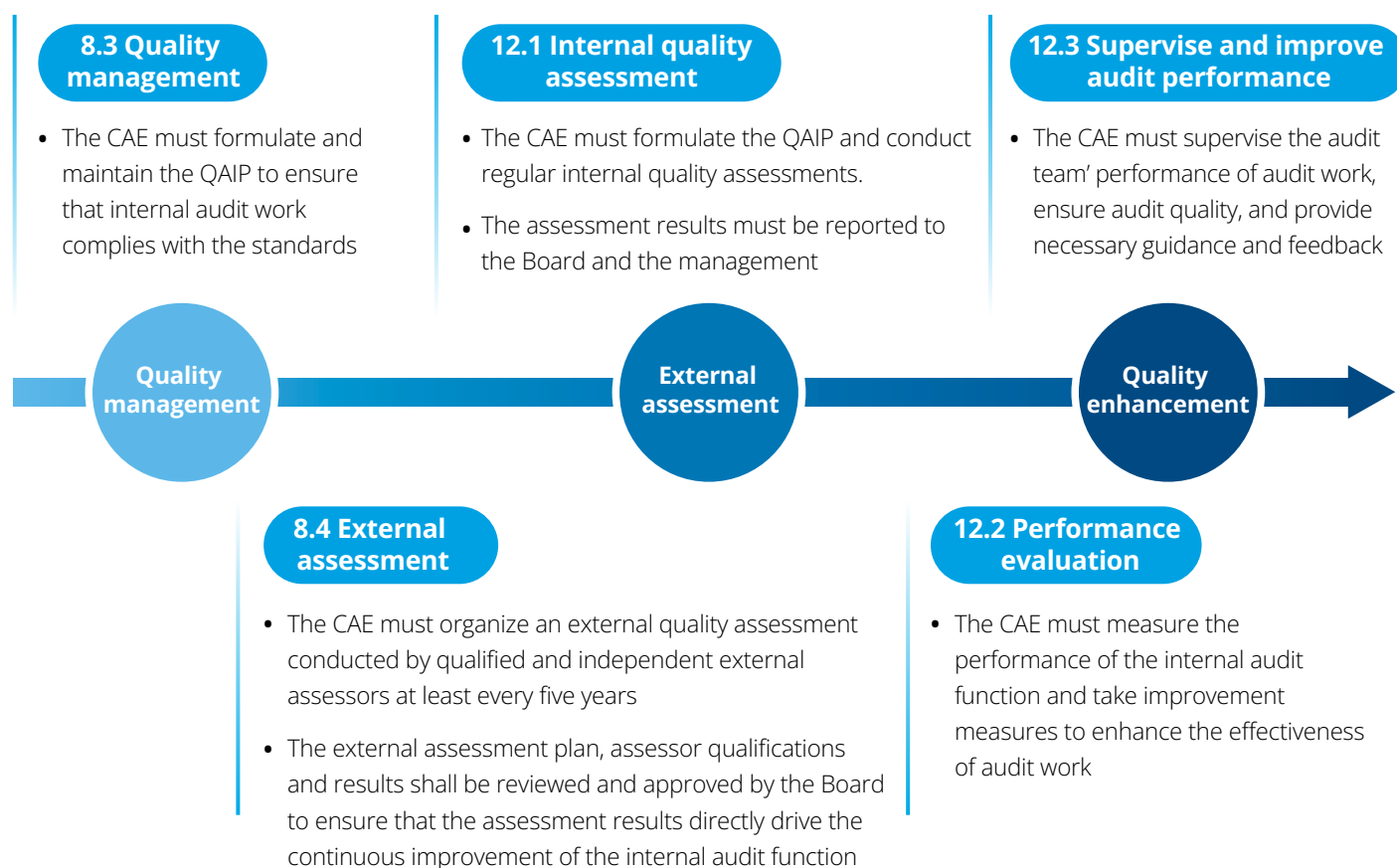
8. Navigating trends with foresight: Analysis of key points of the global internal audit standards and study on adaptive strategies for internal audit in financial institutions



Core 6: Quality management advancing

Quality management advancing requires establishing a quality supervision mechanism featuring internal-external linkage and closed-loop improvement. Quality assurance is upgraded from “formal compliance” to “substantive improvement”, with emphasis laid on independence and the rectification closed loop.

Internal audit quality = compliance with standards + high performance



Core 7: Result value lifting

Result value lifting requires a shift from identifying issues to delivering strategic insights. Audit results are upgraded from a “list of issues” to “strategic insights”, with trending and systemic recommendations provided.



Audit results

If audit results are not communicated effectively, the management may fail to fully understand the severity of the issues, and as a result, may not take effective improvement measures.



Effective communication

Efficient communication is far more than issuing auditor's report. It also includes ongoing interaction and feedback with the Board and the management.



Core 8: Resource capacity building

Resource capacity building requires the internal audit function to systematically allocate human resources, technology and training for sustainable development. Audit resources' upgrading from a "reactive application" approach to "proactive planning" requires the systematic allocation of human resources, technology and training.

To sum up, the release of the GIAS and the requirements of its eight core aspects jointly draw a clear future blueprint for the internal audit profession. It requires internal audit departments to carry out systematic and forward-looking self-innovation, so as to truly become an indispensable value creator and strategic guardian for enterprises in an increasingly complex business environment.

From the perspective of the practices of China's banking industry and financial institutions, the industry is currently in a critical stage **characterized by deepening digital transformation, tightening regulation and rising risk complexity**: on the one hand, banks' online and intelligent levels of wealth management products, credit, wealth management and other businesses continue to improve, and new risks such as data security, model risk and operational risk keep emerging; on the other hand, the regulatory requirements for corporate governance, internal control compliance and data governance continue to tighten, putting forward higher standards for the independence, professionalism and forward-looking capability for auditing financial institutions.

In this context, the GIAS' eight core transformations have provided domestic financial institutions with precise guidance for action:

- **In terms of strategic alignment**, efforts shall be made in promoting the audit from "post-event error detection" to "pre-event early warning and in-process empowerment", embed the audit strategy into banks' overall development strategy, and focus on carrying out value-based audit in key strategic areas such as inclusive finance and green finance.
- **In terms of technology integration**, efforts shall be accelerated in deploying tools such as data analytics, AI auditing and process automation, so as to enhance the real-time monitoring and intelligent identification capabilities of credit risk, anti-money laundering and operational risk, and solve the "lagging issue" of traditional audit.
- In terms of **governance collaboration and resource building**, efforts shall be made to further strengthen the tripartite governance among the Board, the management and the CAE, guarantee the audit independence and resource input, and build a composite audit team possessing financial expertise, data capabilities and professional ethics.

Conclusion

Guided by the GIAS, Chinese financial institutions in the future must accelerate the digital and strategic transformation of their audit functions. Only in this way can internal audit truly play its role as the "third line of defense" in preventing and mitigating financial risks and serving the real economy, and become the core pillar for enterprises' steady development. Deloitte's years of accumulated successful implementation experience in internal audit services can escort Chinese financial institutions as they sail far ahead.

9 Transitioning from scale expansion to value elevation: Pathways for high-quality development of cross-border financial business in Chinese-funded banks



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In recent years, cross-border finance has played a vital supporting role in the overseas expansion of Chinese enterprises. Cross-border investment has shifted from “quantitative expansion” to “qualitative improvement”, and enterprises’ global asset allocation has become more rational. As the Belt and Road cooperation continues to deepen, it is steadily injecting new vitality into cross-border financial cooperation. Regulators, guided by the principle of “balancing openness and compliance”, are promoting the coordinated advancement of cross-border financial facilitation and compliance oversight, refining the cross-border financial regulatory system, and establishing a solid financial safety net for enterprises expanding overseas. These positive factors will drive the high-quality, coordinated development of cross-border investment cooperation and cross-border finance.

Macroeconomic context: The upgrading of Chinese enterprises' overseas expansion drives core demand for cross-border finance

Chinese enterprises have made expansions overseas at a steady pace. The scale of foreign direct investment (FDI) has steadily expanded and its structure has continued to optimize, with both stock and flow maintaining a long-term upward trend. Cross-border M&As have shifted from "quantitative expansion" to "qualitative improvement", demonstrating strong development resilience and the essence of high-quality development. Key development data shows that China's FDIs have achieved long-term growth in both stock and flow. From 2017 to 2025, the FDI stock increased from USD1.8 trillion to USD3.3 trillion, with a

compound annual growth rate of 7.8%; in 2025, the sector's FDIs reached RMB1,245.58 billion, a 7.4% year-on-year increase, covering 153 countries and regions worldwide and involving 11,048 overseas enterprises. Since 2017, Chinese enterprises' outward foreign greenfield investment has gone through phases of expansion and profound adjustment; after reaching a historic peak of USD166.8 billion in 2023, it started to recede from such high level. Cross-border M&As, following a downturn, have shown signs of a gradual recovery.

Figure 1: China's FDI Stock

Unit: USD1 trillion

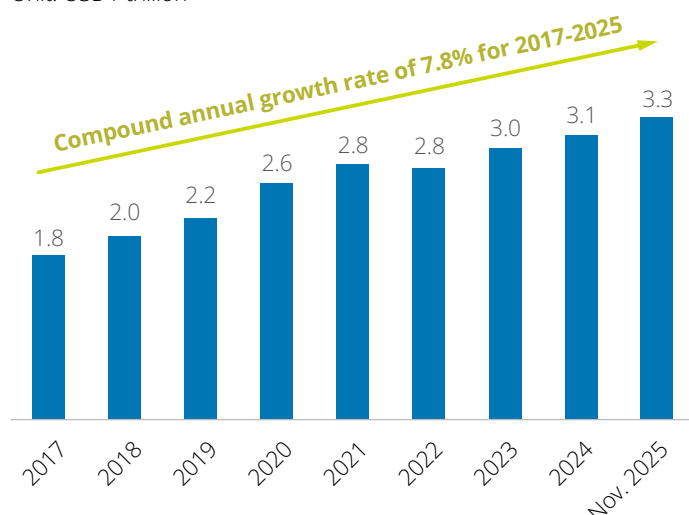
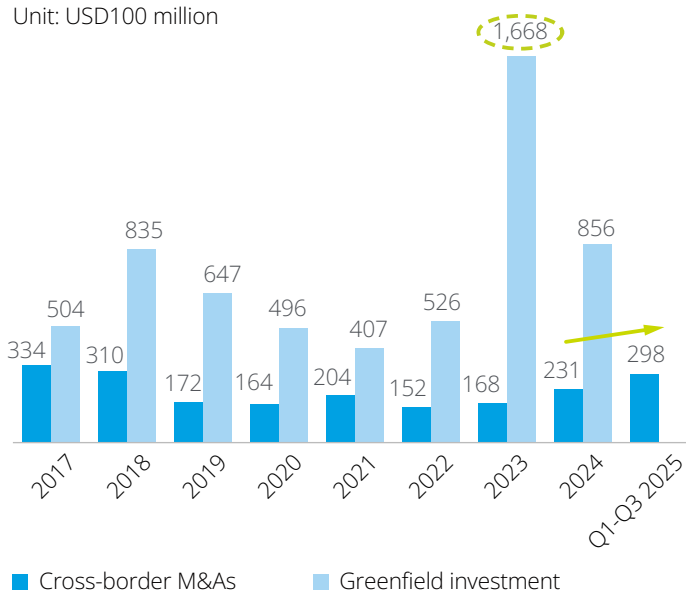


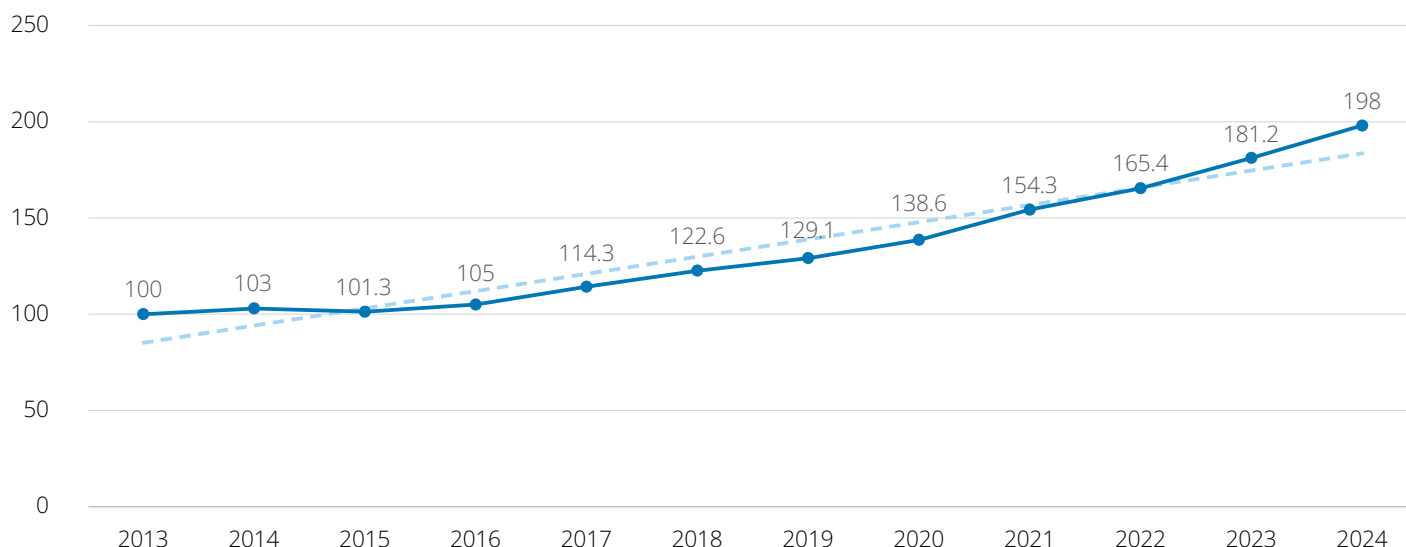
Figure 2: China's Scale of Cross-border M&As and Greenfield Investment

Unit: USD100 million



Source: Ministry of Commerce, Wind, Mergermarket (The data includes transactions that have been announced but not yet completed.), Deloitte Compilation

Furthermore, cooperation under the Belt and Road Initiative has yielded fruitful results. From 2013 to 2024, the national trade index rose steadily from 100.0 to 198.0, representing a cumulative increase of 98.0% (nearly doubling), with an average annual compound growth rate of approximately 5.9%, fully demonstrating the strong resilience and growth momentum of trade cooperation.

Figure 3: The Total Trade Index between China and the Countries Jointly Building the Belt and Road Initiative for 2013-2024

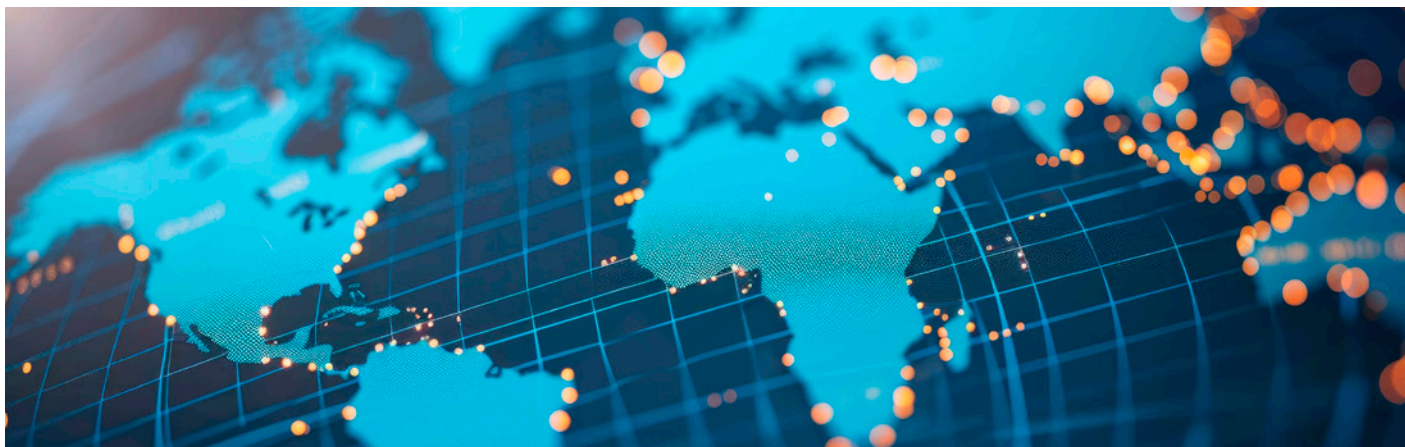
Source: General Administration of Customs of the People's Republic of China, Deloitte Compilation

The continued expansion of Chinese enterprises' outbound investment and the in-depth upgrading of global industrial chains have directly driven a surge in the scale of demand for cross-border financial services and a restructuring of that demand, thereby establishing the core practical context for this study on the high-quality development of cross-border financial business in Chinese-funded banks.

On the other hand, the deepening of enterprises' global expansion has also significantly increased the challenges faced by Chinese-funded banks in conducting cross-border business. The broad coverage of investment regions means that banks must navigate varying regulatory rules across different countries, as well as complex geopolitical and country-specific risks; overseas expansion in long-cycle sectors such as high-end manufacturing and new energy places more specialized demands on banks' capabilities in project due diligence, risk pricing, and full-cycle financing services; Global cross-border financial regulation continues to tighten, with anti-money laundering and sanctions compliance red lines constantly narrowing, which has substantially increased the compliance costs of cross-border operations and heightened compliance risks; coupled with the ongoing advancement of the RMB internationalization strategy, this has placed entirely new demands on banks' ability to build global RMB clearing networks and innovate RMB investment and financing products. Faced with these multiple challenges, Chinese-

funded banks are being compelled to completely abandon the extensive expansion model that "prioritizes scale over profitability" in their cross-border financial operations and transition toward high-quality development that "emphasizes quality and enhances value".

On the one hand, the breadth and depth of Chinese enterprises' global expansion have increased simultaneously, directly driving the expansion of cross-border financial business and a comprehensive upgrade in service demand. As China's FDIs now span 153 countries and regions worldwide, and cross-border M&As as well as greenfield investments continue to improve in quality and scale, this has first and foremost led to a steady rise in the volume of basic "deposits, loans, and remittances" services such as cross-border settlement, currency exchange, and account management; Meanwhile, as enterprises have shifted their overseas expansion from traditional resource acquisition and low-end product exports toward global supply chain distribution in sectors such as high-end manufacturing, new energy, and the digital economy, financial demand has evolved from single-channel transactions to comprehensive, full-chain services. Coupled with the rapid growth of trade and investment under the Belt and Road initiative, this has opened up long-term growth potential for Chinese-funded banks' cross-border operations, making them a new growth engine for the banking sector.



■ Observation of cross-border financial regulation: Domestic market opens up to boost convenience; global regulation tightens to strengthen compliance



Dynamic updates on cross-border financial regulation in China

From the perspective of domestic regulation, China has consistently prioritized both openness and compliance, and balanced development with security. At the policy level, China continues to leverage the benefits of openness: deepening reforms in cross-border investment and financing by eliminating registration requirements for upfront FDI fees and increasing cross-border financing limits for science and technology innovation enterprises, while simultaneously strengthening compliance requirements for cross-border operations; continuously improving the quality and expanding the scope of trade and foreign exchange facilitation, using the Shanghai Action Plan for the Facilitation of Cross-Border Financial Services as a benchmark to expand the scope of pilot programs, broaden

the range of settlement instruments, and cover new forms of trade. Relying on pilot free trade zones (ports), China is advancing institutional-level opening-up, aligning with high-standard international economic and trade rules, and expanding market access for foreign financial institutions as well as the opening-up of cross-border financial services. Crucially, the proposals for the “15th Five-Year” Plan explicitly call for promoting the RMB internationalization, enhancing the level of capital account liberalization, and building an autonomous and controllable cross-border RMB payment system. These measures chart a long-term strategic direction for the cross-border operations of Chinese-funded banks and provide top-level support for business model innovation.

Table 1: Overview of Policies Related to Cross-Border Finance (2025)

Timing	Title of policies and regulations	Key ideas
22 January 2025	<i>Opinions on the Pilot Program of Aligning with International High Standards and Promoting Institutional Opening-up in Eligible Pilot Free Trade Zones (Ports) in the Financial Field</i>	• Advance institutional-level opening-up of pilot free trade zones (ports) to align with international high-standards • Cover areas such as cross-border financial services and the cross-border flow of financial data, and promote the comprehensive opening-up of financial markets in terms of market access, business operations, and services

Hot topics

9. Transitioning from scale expansion to value elevation: Pathways for high-quality development of cross-border financial business in Chinese-funded banks

Timing	Title of policies and regulations	Key ideas
21 April 2025	<i>Action Plan for the Shanghai International Financial Center to Further Improve the Facilitation of Cross-Border Financial Services</i>	- Enhance the cross-border financial service capabilities of Shanghai and support the development of an international financial center as well as the growth of foreign trade and foreign investment - Introduce 18 specific measures around five guidelines: improving the efficiency of cross-border settlements, optimizing exchange rate hedging services, strengthening financing support, enhancing insurance protection, and improving the comprehensive financial services system
15 September 2025	<i>Notice of Matters Concerning Deepening the Reform of Foreign Exchange Management for Cross-border Investment and Financing</i>	- Deepen reforms in cross-border investment, financing, and foreign exchange management to expand the high-level opening-up, and support the high-quality development of economy - Further enhance the facilitation of cross-border investment and financing by focusing on three areas: foreign exchange management for cross-border investment, foreign exchange management for cross-border financing, and policies to optimize the facilitation of capital account receipts and payments
14 October 2025	<i>Guiding Opinions on Further Improving the Comprehensive Overseas Service System</i>	- Focus on enterprises' demands of overseas expansion, and build a comprehensive overseas service system that covers public services, integrates and innovates local services, expands and improves overseas services, and strengthens economic and trade cooperation - Strengthen alignment with international regulations and enhance overseas compliance standards to provide end-to-end support for enterprises expanding into international markets
23 October 2025	<i>Recommendations of the Central Committee of the Communist Party of China for Formulating the "15th Five-Year" Plan for National Economic and Social Development</i>	- Align with high international standards for economic and trade rules, expand market access and areas of openness with a focus on the service sector, and broaden the scope of markets and regions for unilateral opening-up - Promote RMB internationalization, enhance the level of capital account liberalization, and build an independent and controllable cross-border RMB payment system - Promote the improvement of quality and efficiency in foreign trade, and accelerate the development of a trade powerhouse
29 October 2025	<i>Notice Regarding Further Facilitating the Settlement of Foreign Exchange Funds to Support the Stable Development of Foreign Trade</i>	- Focus on facilitating the settlement of foreign exchange funds to support the stable development of foreign trade - Expand the scope of pilot regions for high-level opening-up in cross-border trade and broaden the range of fund settlement services

Source: Deloitte Compilation



Dynamic updates on penalties imposed on Chinese-funded banks by overseas regulators

As Chinese-funded banks continue to deepen their international expansion and broaden the scope of their overseas operations, the global financial regulatory environment is becoming increasingly stringent, and regulatory authorities in various countries have significantly stepped up their oversight of Chinese-funded banks' compliance. Based on recent penalty cases involving overseas branches of Chinese-funded banks and global

regulatory trends, the focus of overseas regulators on Chinese-funded banks spans multiple dimensions, including anti-money laundering and counter-terrorist financing, compliance red lines, localization, internal control systems, and geopolitical factors, all of which directly impact the sound operation of Chinese-funded banks' overseas business.

Table 2: Penalty Cases Involving Overseas Branches of Chinese-Funded Banks

No.	Date	The bank involved	Regulator(s)	Grounds	Results
1	July 2025	The Hong Kong branch of a major state-owned bank	HKMA	Supervision system failures and anti-money laundering compliance breaches	A fine of HKD3.7 million
2	July 2025	The Hong Kong based subsidiary of a major state-owned bank	HKMA	Supervision system failures and anti-money laundering compliance breaches	A fine of HKD4 million
3	January 2024	A major state-owned bank and its New York branch	FRB, NYDFS	Unauthorized use and disclosure of confidential regulatory information	A fine of totaling USD32.40 million
4	November 2021	A major state-owned bank (Asia)	HKMA	Violations of anti-money laundering regulations and multiple deficiencies in internal controls	A fine of HKD20.70 million
5	November 2021	A major state-owned bank (Asia)	HKMA	Violations of anti-money laundering regulations and inadequate performance of risk control duties	A fine of HKD8.50 million
6	September 2021	The New York branch of a major state-owned bank	OCC	Violations of U.S. sanctions compliance requirements, ineffective controls over business operations in sanctioned countries and significant deficiencies in internal controls	A fine of USD11 million
7	November 2016	The New York branch of a major state-owned bank	NYDFS	Violations of anti-money laundering laws and the concealment of potentially suspicious financial transactions	A fine of USD215 million

Source: Deloitte Compilation

The evolution and current status of cross-border financial services by Chinese-funded banks: Precise market layout and deep penetration, leading to a comprehensive increase in value

After years of development, Chinese-funded banks' cross-border financial operations have undergone a fundamental shift in their underlying development logic, transitioning from the early stages of extensive expansion focused on outlets and scale to high-quality development centered

on customer needs and aimed at value creation. This transformation can be analyzed from three dimensions: optimization of global footprint, iteration of service models, and enhancement of core value propositions.

First, the logic behind global expansion has shifted from “land grabs” to precisely matching demand, resulting in a global service network with a clear hierarchy and balanced priorities. In the early stages, Chinese-funded banks’ overseas expansion focused on filling market gaps, resulting in a strategic layout that was poorly aligned with the real economy. Today, the industry’s strategic focus is deeply integrated with the restructuring of Chinese enterprises’ global supply chains. From 2022 to 2025, over 80% of new overseas branches are concentrated in Belt and Road partner countries and the RCEP region, perfectly aligning with the distribution of Chinese enterprises’ FDI flows during the same period and marking a complete departure from blind expansion. Geographically, a three-tier structure has emerged, with 1) Hong Kong serving as the global offshore hub, 2) Singapore, London, and New York as financial nodes, and 3) key regions where Chinese enterprises expand overseas acting as local service fulcrums. In terms of market players, major China’s state-owned banks have achieved extensive global coverage, with BOC and ICBC setting industry benchmarks by operating branches in 64 and 49 countries and regions, respectively. Joint-stock banks, meanwhile, have focused their strategic deployments on core financial hubs, while maintaining a light-asset presence in non-core regions through correspondent bank networks. Data shows that the industry’s correspondent bank network covers an average of over 90 countries and regions, a scope more than three times that of their own outlets.

Second, leveraging their global network, the service model has evolved from the traditional single-channel approach of “deposits, loans, and remittances” to an integrated system comprising “global treasury management + comprehensive financial services + end-to-end risk control and compliance + digital empowerment”. In the past, cross-border business focused primarily on basic settlement and credit services, with profitability heavily reliant on interest rate spreads and marked by severe homogenized competition; Currently, leading banks are focusing on the full lifecycle of Chinese-funded enterprises expanding overseas. They have broken down traditional business boundaries to integrate two major systems: end-to-end investment and financing services for corporate clients and cross-border wealth management services for individual clients. At the same time, they have embedded risk control and compliance throughout the entire business process. Digitalization enables online business processing and intelligent transaction monitoring, driving a transformation of services from “passive response” to “proactive matching”. This has marked a core shift from serving as a “funds channel” to becoming a “comprehensive financial service provider for Chinese enterprises expanding overseas”.

Third, the evolution of service models has driven a dual leap in core value, shifting from a focus on commercial value alone to the synergistic development of both commercial and strategic value. On the one hand, cross-border business has become a key financial driver for industrial transformation and upgrading. As Chinese enterprises expand overseas, the focus of services has shifted toward core sectors such as high-end manufacturing, new energy, and science and technology innovation. Through products such as specialized financing and end-to-end supply chain finance, these services address the pain points (such as financing difficulties and high exchange rate risks) faced by overseas-expanding enterprises, thereby supporting the extension of China’s competitive industries into the global value chain. On the other hand, cross-border business and the RMB internationalization have formed a virtuous cycle of mutual reinforcement. Relying on their global networks, Chinese-funded banks have established a RMB clearing system and expanded the range of cross-border RMB investment and financing products, driving a steady increase in the RMB share of cross-border trade and investment. At the same time, they have enhanced the RMB investment and financing functions, propelling its evolution from a settlement currency to an investment and reserve currency, thereby achieving an organic integration of their own development with the China’s strategy of opening-up.

Enhancement of cross-border financial capabilities: Focusing on core areas to build long-term capabilities

In light of the current state of the industry and its direction of transformation, and taking into account the global regulatory environment and the needs of the real economy, Chinese-funded banks must anchor themselves to the core objective of “value leap” and establish a roadmap for high-quality development across five key dimensions to promote the sustainable development of their cross-border financial operations.

1 Capitalizing on our unique strengths to define a differentiated strategic positioning

Chinese-funded banks need to abandon the mindset of homogeneous expansion and, based on their own capabilities, establish a tiered competitive landscape. Major state-owned banks should leverage their global networks and capital advantages, anchor their positioning as “world-class comprehensive cross-border financial service providers”, focus on large multinational corporations and leading clients in industrial chains, build a service system covering all regions and the entire value chain, and play a leading role in the RMB internationalization and the China’s opening-up. National joint-stock banks should pursue a path of “distinctiveness and specialization”. By leveraging

their strengths in areas such as science and technology innovation, retail banking, and supply chain finance, they should focus on niche segments such as the global expansion of science and technology innovation enterprises and cross-border wealth management to build differentiated core competitiveness; local small and medium-sized banks should anchor themselves in the local regional economy, focus on the basic cross-border financial needs of local small and medium-sized foreign trade enterprises, and, through cooperation with leading banks to establish agency service systems, pursue a development path of “localization + specialization”, avoiding blind overseas expansion.

2 Focusing on core markets to achieve a tiered regional breakthrough

Focusing on the regional characteristics of Chinese enterprises expanding overseas, Chinese-funded banks should establish a tiered layout system of “core hubs - key regions - global coverage”. First, they should consolidate Hong Kong’s position as a “bridgehead” for cross-border business, deepen cross-border financial integration within the Guangdong-Hong Kong-Macao Greater Bay Area, and develop Hong Kong-based institutions into core platforms for cross-border RMB transactions, cross-border investment banking, and wealth management; Second, they should focus on the Southeast Asian market as a core expansion area. Aligning closely with the deepening of RCEP cooperation and the trend of supply chain relocation by Chinese enterprises, they should increase investment in

ASEAN regional resources to develop supply chain finance and local currency settlement product systems tailored to regional markets; Third, they should continue to deepen their market presence along the Belt and Road route. By combining the establishment of localized institutions with strategic partnerships with local institutions, they should serve the core needs of Chinese enterprises in areas such as infrastructure investment and industrial capacity cooperation. In mature markets in Europe and the United States, the focus will be on optimizing the functions of licenses in core financial centers, avoiding blind expansion of outlets, and achieving a precise alignment between capital investment and operational efficiency.

3 Focusing on customer needs to deepen product and service innovation

Closely aligning with the full-lifecycle needs of Chinese enterprises expanding overseas, Chinese-funded banks should: 1) break down the boundaries of traditional “deposits, loans, and remittances” services, build an integrated, end-to-end service system, upgrade global treasury management services, and create a global cash management platform that integrates both domestic and

foreign currencies to enhance the efficiency of enterprises’ global capital utilization; 2) innovate end-to-end cross-border supply chain financial services, leverage blockchain technology to integrate data on trade, logistics, and capital flows to serve enterprises across the entire industrial chain; 3) deepen the synergy between commercial banking and investment banking to provide end-to-end services for

enterprises’ cross-border M&As, overseas listings, and bond issuances; 4) enrich the cross-border wealth management product portfolio, rely on policy pilot programs such as the “Cross-boundary Wealth Management Connect Scheme” to meet residents’ cross-border asset allocation needs; and 5)

accelerate digital innovation to enable fully online processing of cross-border business operations, explore applications of the e-RMB in cross-border payment scenarios, and develop specialized cross-border products for green finance and science and technology innovation finance.

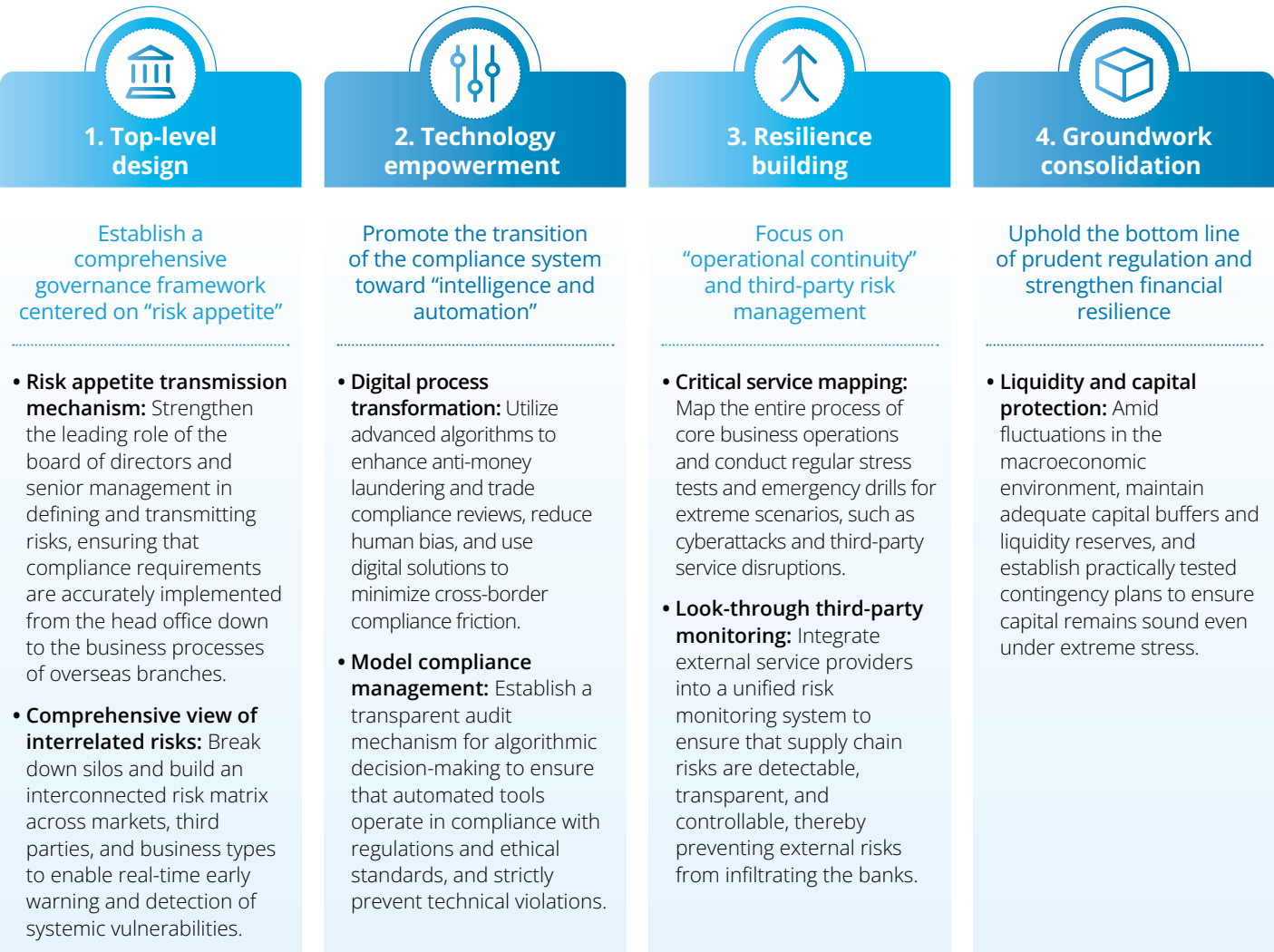
4

Upholding compliance standards to build a globally integrated risk control and compliance system

Centered on the Basel Accords and global regulatory requirements, Chinese-funded banks should establish a two-tier compliance management framework based on “global benchmarks plus local guidelines” to unify minimum implementation standards in core areas such as anti-money laundering, sanctions compliance, and cross-border data transfers, and refine the dynamic adaptation mechanism for local compliance to ensure that business operations comply with the regulatory requirements of the host country; build a vertical risk management system with headquarters responsible for overall coordination and local branches

assuming primary responsibility, enabling end-to-end, transparent management of cross-border operations, breaking down data silos within the group, and establishing a unified global credit approval and comprehensive risk monitoring mechanism for customers; leverage technology to empower intelligent risk control, utilize AI and big data to optimize anti-money laundering transaction monitoring models, and establish an intelligent early-warning system for geopolitical and sanctions policies to achieve proactive risk prevention and control, thereby solidifying the foundation for the sound development of cross-border operations.

Figure 4: Recommendations for Compliance Responses to Global Financial Risks



5 Strengthening organizational support to build an international organizational structure and talent pipeline

Chinese-funded banks should optimize the organizational and management structure for cross-border operations by establishing a line-and-matrix management model, strengthen the head office's strategic coordination of overseas branches while granting local branches the operational autonomy needed to adapt to local markets, thereby enhancing the efficiency of domestic and international collaboration; build a dual-track talent system comprising "expatriate key personnel + local elite", cultivate versatile professionals proficient in cross-border operations

and international regulatory rules through overseas rotations and specialized training, and simultaneously increase efforts to recruit local professionals to optimize the talent structure; refine the incentive and career development system for international talents by directly linking business performance, compliance outcomes, and performance evaluations to promotions, strengthen cross-cultural management and foster an open and inclusive corporate culture to provide a solid talent foundation for the long-term development of cross-border operations.

Conclusion

In short, the continued expansion of Chinese enterprises into overseas markets, coupled with profound changes in the global financial landscape, has collectively driven a fundamental shift in the underlying logic of Chinese-funded banks' cross-border financial operations, i.e., from extensive expansion prioritizing scale to value-driven, high-quality development. The core principle is the deep integration of cross-border finance with the real economy and national strategy, which not only provides solid support for Chinese enterprises' global supply chain deployment but also injects sustained momentum into the RMB internationalization and China's high-level opening-up. Deloitte has been deeply involved in the overseas expansion services sector for more than two decades, supporting numerous Chinese enterprises throughout their entire journey - from Version 1.0 "Go Global" to Version 2.0 "Go Local", and on to Version 3.0 "Go High". Looking ahead, Deloitte hopes to partner with Chinese-funded banks to create a full-cycle, end-to-end overseas expansion ecosystem and, together, provide more diverse professional support and comprehensive services to help enterprises expand globally.

10 Analysis of key points of the *Measures for the Administration of Information Disclosure of Asset Management Products of Banking and Insurance Institutions*



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The *Measures for the Administration of Information Disclosure of Asset Management Products of Banking and Insurance Institutions* (the “Measures”), officially released by the NFRA on 22 December 2025, marks a pivotal milestone in China’s asset management sector, ushering in a new era of unified and standardized disclosure regulation. Besides, this represents a critical step in deepening sector transformation following the implementation of the new asset management regulations.

The Measures aim to address long-standing issues of inconsistent disclosure standards and insufficient transparency. By establishing a coherent disclosure framework following the principle of “same business, same standard”, the Measures mandate end-to-end, transparent disclosures across all product lifecycles, thereby fostering a healthy market ecosystem grounded in “seller’s due diligence and buyer’s responsibility”. The formulation of the Measures also aligns with the broader national strategy of the Five Major Financial Initiatives, serving not only as a cornerstone for building a trustworthy market ecosystem but also as a solid framework foundation for high-quality sector development.

Given that trust products and insurance asset management products are privately-offered products governed primarily by contractual agreements in terms of information disclosure, this report focuses on the impact of the Measures on publicly-offered wealth management products, and outlines countermeasures and suggestions for wealth management institutions.

Key point one: Clarification of periodic disclosure rules

Articles 15 and 19 of the Measures specify disclosure timelines for periodic reports and net values of products. The disclosure timelines for publicly-offered wealth management products are basically aligned with those for publicly-offered funds, though some standards are slightly less stringent, as detailed below:

Disclosure item		Publicly-offered wealth management products	Publicly-offered funds
Periodic reports	Quarterly reports	Within 15 business days after the end of the quarter	Within 15 business days after the end of the quarter
	Semi-annual / interim reports	On or before 31 August each year	On or before 31 August each year
	Annual reports	On or before 30 April each year	On or before 31 March each year
	Additional rules	For products established for fewer than 90 natural days , institutions are exempt from preparing quarterly, semi-annual, or annual reports for the current period	For products with contracts effective for less than two months , institutions are exempt from preparing quarterly, interim, or annual reports for the current period
Net values	Open-ended products	Within two business days after each open day	No later than the next business day after each open day
	Closed-ended products	Once per week	Once per week

The stringent requirements for disclosure timelines mandated by the Measures have undoubtedly imposed unprecedented pressure and challenges on wealth management institutions. At the end of 2025, the number of publicly-offered wealth management products exceeded 40,000, far surpassing the number of publicly-offered funds. Leading institutions such as CMB Wealth Management and CIB Wealth Management each managed over 1,000 products. Managing disclosure processes at this scale necessitates system automation. However, the level of systematization in disclosure processes remains significantly behind that of wealth management institutions, particularly among mid- and small-sized wealth management institutions, whose investments in construction of information systems are comparatively limited, resulting in disproportionately higher transformation costs and burdens than their top-tier peers.

Notably, the Measures explicitly require that *for asset management products with a term exceeding 90 natural days, institutions must disclose at least one periodic report during product tenure. If the remaining tenure of a product is*

insufficient to complete a full reporting cycle, and the maturity announcement or clearing report covers the content of the corresponding periodic report, the institution is exempt from preparing the quarterly, semi-annual, or annual report for the remaining tenure. This standard is stricter than the prior rule under the *Measures for the Administration of Wealth Management Subsidiaries of Commercial Banks* (CBIRC Order No. 7 [2018]), which exempted commercial banks from preparing quarterly, semi-annual, or annual reports for the current period for wealth management products with less than 90 business days of existence or remaining tenure. By replacing “90 business days” with “90 natural days” and expanding the scope of products subject to periodic reporting, the Measures further intensifies the disclosure burden on wealth management institutions.

Article 16 of the Measures prescribes the disclosure content of periodic reports. Subparagraph (7) thereof requires that *the annual report for a product must include a financial accounting report for the product. Where regulatory provisions mandate an independent external audit for the*

product, the accompanying financial accounting report must be audited, and the external audit opinion must be disclosed simultaneously. This standard aligns with the requirements applied to publicly-offered funds: in the XBRL template for publicly-offered funds, Section 6: Auditor's Report and Section 7: Annual Financial Statements (including

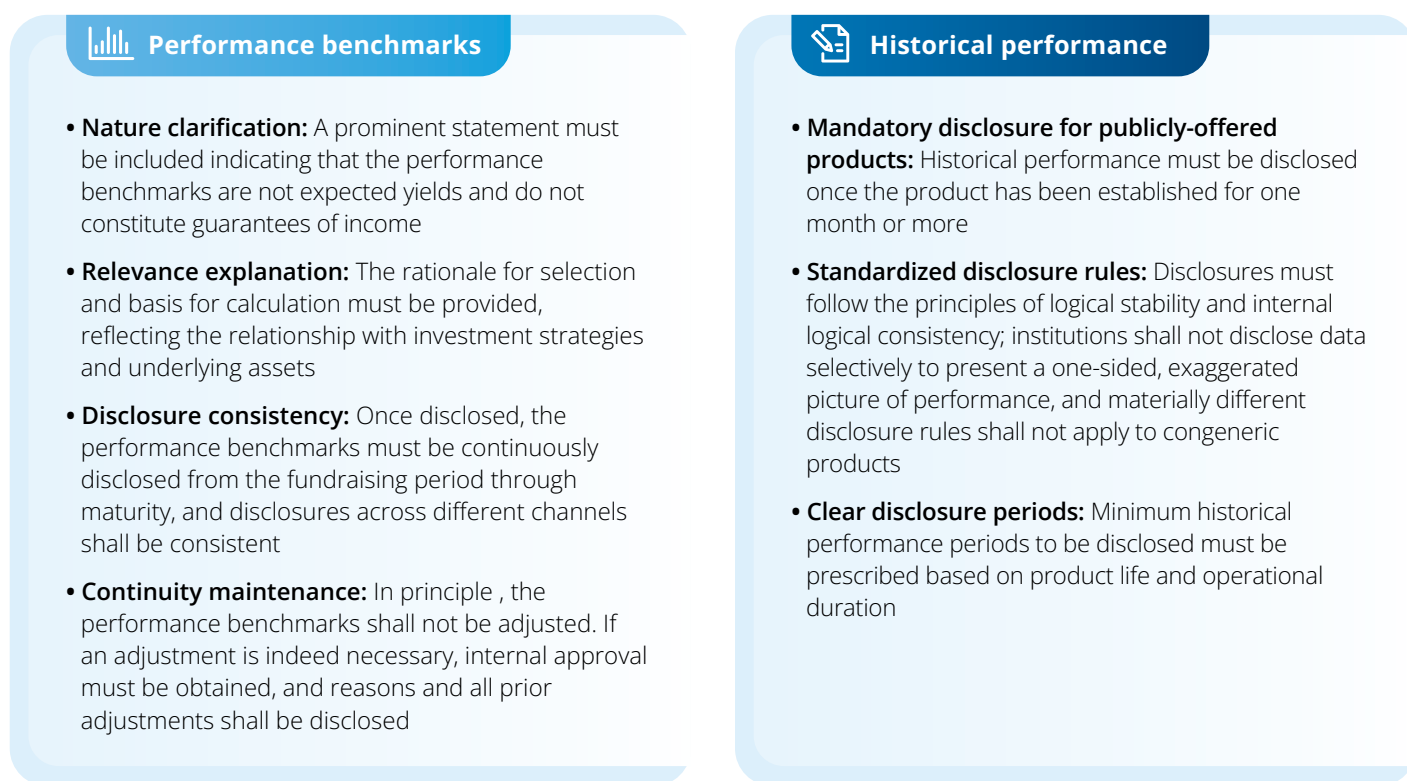
accompanying notes thereto) are mandatory components. Accordingly, accounting firms are required to issue auditor's reports for publicly-offered wealth management products by the end of April of the following year. To meet the disclosure timelines of wealth management institutions, the actual issuance may be even earlier.

Key point two: Increased compliance risk in disclosure of performance benchmarks and historical performance

Prior to the Measures, the CBA released the *Code of Conduct for Presenting Performance Benchmarks of Wealth Management Products* in 2022, and the *Code of Conduct for Presenting Historical Performance of Wealth Management Products* in 2023. The Measures broadly coincide with the two codes of conducts, with the sole difference being that,

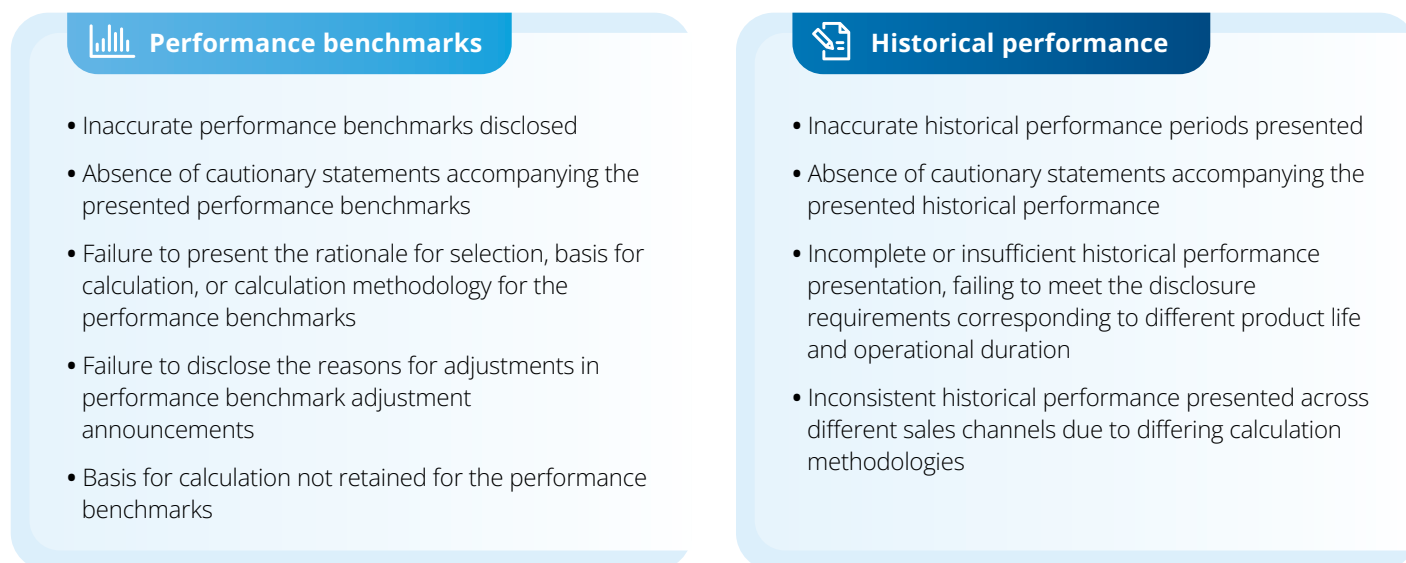
for publicly-offered products other than cash management products, if historical performance is disclosed for a product that has been established for less than one month, the product's performance benchmarks must be disclosed simultaneously as permitted by the Measures.

Figure 1: Disclosure Requirements for Performance Benchmarks and Historical Performance under the Measures



The release of the Measures elevates sector self-regulatory standards into mandatory regulations, significantly increasing the compliance risks faced by wealth management institutions. Currently, there remain numerous issues in the market regarding the disclosure

of performance benchmarks and historical performance, particularly pronounced in third-party distribution channels, primarily due to the limited control that wealth management institutions exercise over the channels.

Figure 2: Summary of Issues in the Disclosure of Performance Benchmarks and Historical Performance

Furthermore, the Measures require that the performance benchmarks shall primarily reflect their relationships with the investment strategies, underlying assets, and the performance of relevant financial markets. This is expected to guide managers toward adopting market indices as the performance benchmarks in place of the

current income-range approach. While this may increase marketing challenges, it will help dilute the expectation of “rigid repayment” for wealth management products, thereby reducing the resistance for managers to expand their investment capabilities from bond investments to other asset classes.

Key point three: Mandating penetrative disclosures to enhance nesting transparency

The *Measures for the Supervision and Administration of the Wealth Management Business of Commercial Banks* require penetrative regulation of the wealth management business, with downward identification of the underlying assets for wealth management products. Under the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*, an asset management product may invest in one additional layer of asset management products; however, the invested asset management product may not invest in any asset management product other than publicly-offered securities investment funds, that is, a maximum of one layer of nesting is permitted.

At present, wealth management institutions have completed the rectification of “multi-layer nesting” of products as required by the new asset management regulations, but the proportion of wealth management

products that invest through SPVs remains relatively high. Investors cannot obtain complete information on product operations, investment management, or risk control through non-penetrative disclosures. While a number of wealth management institutions in the market have already disclosed both pre-penetrating and post-penetrating asset conditions, some institutions have yet to make such penetrative disclosures due to system limitations or difficulties in obtaining underlying asset information.

The Measures’ requirements for penetrative disclosures undoubtedly further deepen investor protection in terms of the right to information. The Measures set forth corresponding requirements for both periodic disclosures and provisional announcements: for periodic reports, disclosures of both pre-penetrating and post-penetrating asset conditions are required; where a single asset or

non-standardized asset accounting for more than 10% of a product's post-penetrating holdings experiences a material risk event, a provisional announcement shall be made.

More importantly, in addition to specifying the disclosure obligation of managers, the Measures explicitly define, for

the first time, the obligation of assistance on the part of the managers of the invested products, requiring them to collaborate in providing true, accurate, and complete underlying asset statistics. This full-chain collaborative disclosure mechanism provides framework safeguards for the effective implementation of penetrative disclosures.

Key point four: Unification and standardization of disclosure channels

The Measures introduce a “1+N” disclosure channel framework. The “1” refers to the requirement that information on publicly-offered wealth management products shall be disclosed through at least one unified sector-wide disclosure channel (namely, Chinawealth.com.cn); the “N” refers to simultaneous disclosure through national mainstream financial media or other disclosure channels as agreed with investors. Chinawealth.com.cn, as a unified platform, facilitates centralized inquiry and comparison, preventing risks previously associated with dispersed and inaccessible information; national mainstream media further expand the reach of information. This effectively provides “dual safeguards” for information disclosure.

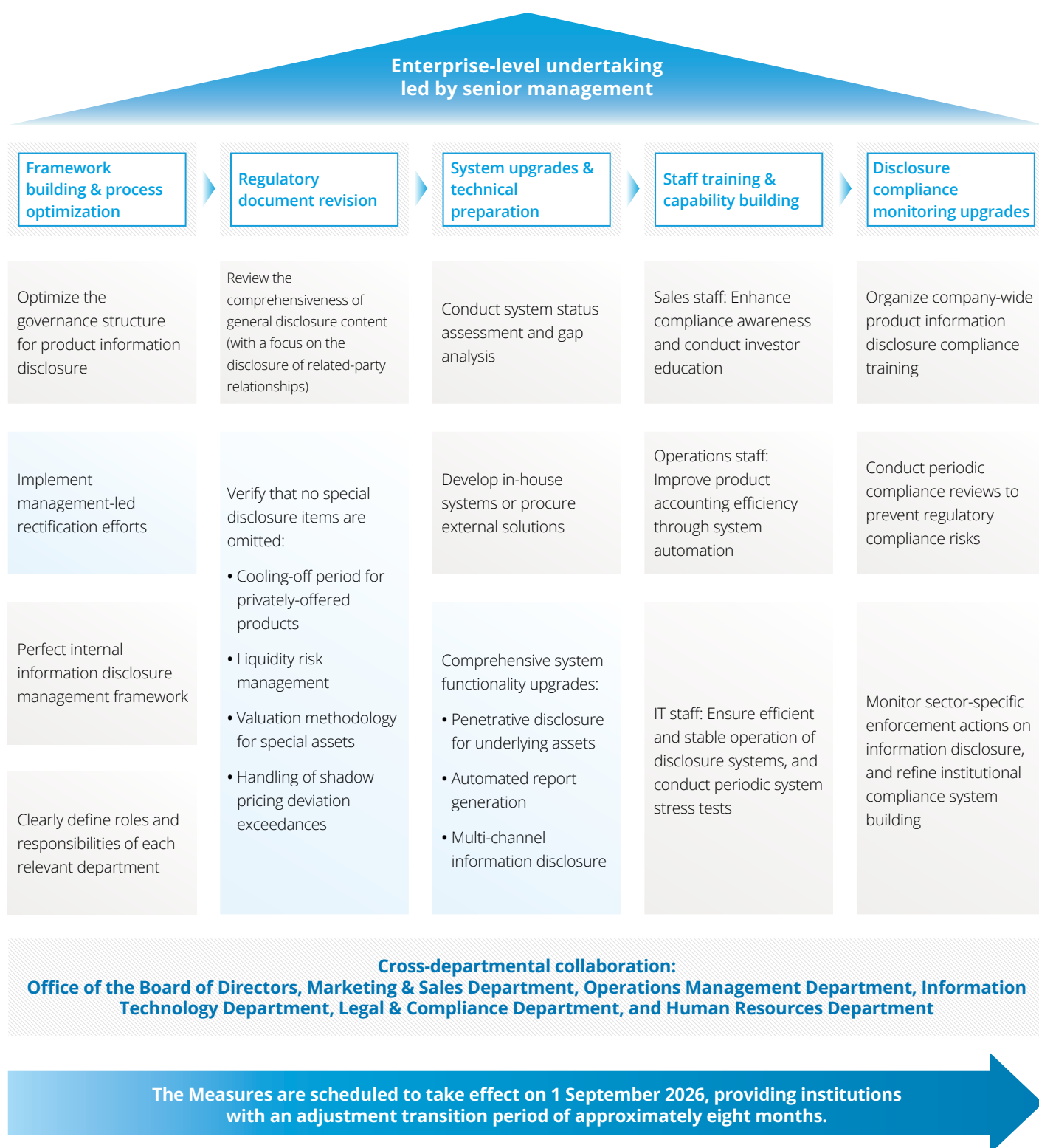
The Measures' provisions on disclosure channels significantly enhance both standardization and accessibility of product information. For ordinary investors, this means that in the future, they will be able to more conveniently inquire about and compare publicly-offered products through official channels such as Chinawealth.com.cn, thereby making more rational investment decisions. In addition, the Measures specifically emphasize that information disclosed by disclosure obligors through different channels shall be consistent, which requires wealth management institutions to ensure the uniformity of disclosure content sent to each channel and to periodically verify the consistency of disclosure content across channels.

Wealth management institutions' response: Implement the Measures as an “enterprise-level” systemic undertaking

For wealth management institutions, implementing the Measures is far more than a routine regulatory adjustment, but an “enterprise-level” systemic undertaking involving operations, systems, and culture. This undertaking requires cross-departmental coordination and integration among wealth management institutions, achieving comprehensive optimization in areas such as corporate governance, process reengineering, technology upgrades, and compliance capability building, so as to deeply embed the standardization and effectiveness of information disclosure into the entire business process.

To successfully advance this systemic undertaking, wealth management institutions may adopt a strategy of “overall planning with phased implementation”.

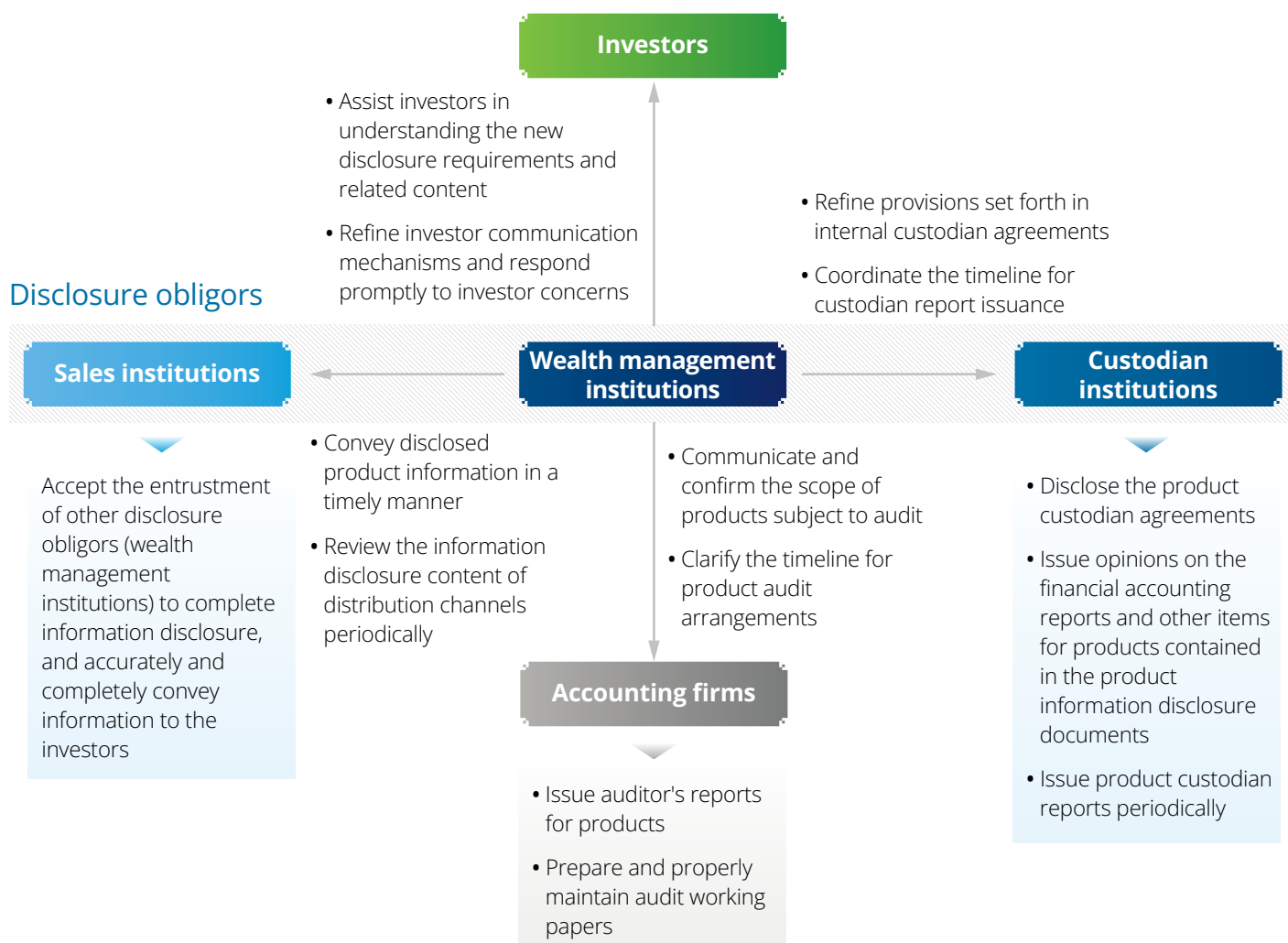
- **Comprehensive benchmarking and diagnosis:** Conduct a detailed gap analysis by comparing the Measures' requirements against the institution's current practices.
- **Develop an implementation roadmap:** Formulate a detailed implementation roadmap covering frameworks, systems, processes, and personnel, with clear priorities and resource allocation.
- **Strengthen technological empowerment:** Actively explore the use of fintech means to enhance the automation and intelligence of information disclosure, thereby improving efficiency and reducing operational risk.



Hot topics

10. Analysis of key points of the Measures for the Administration of Information Disclosure of Asset Management Products of Banking and Insurance Institutions

In addition, wealth management institutions need to communicate with sales institutions, custodian institutions, and accounting firms as necessary, fully implement various new requirements of the Measures, and continue to strengthen investor education efforts.



Conclusion

The release of the *Measures for the Administration of Information Disclosure of Asset Management Products of Banking and Insurance Institutions* represents a significant milestone in the regulation of China's asset management sector, reflecting a profound shift from a scale-oriented approach to a quality-oriented one. For wealth management institutions, this presents both challenges and opportunities. In the short term, compliance pressure and increased costs are unavoidable; in the long run, however, it will further drive high-quality development across the sector.

In the face of the new regulations to be implemented, wealth management institutions shall proactively embrace the changes with a positive mindset, transforming compliance requirements into an opportunity to enhance internal management and strengthen core competitiveness. Only those institutions that truly fulfill their fiduciary duties and place investor interests at the forefront will be able to sustain their leading position in the post-implementation market landscape. As a world-leading professional services firm, Deloitte looks forward to contributing its expertise to assist wealth management institutions in implementing the new disclosure regulations smoothly, and to support them in achieving consistent and long-term progress in disclosure compliance.

11 In-depth analysis and practical implementation of the new *Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)*



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Regulatory cornerstone: Rollout of a unified regulatory framework aligned with industry growth

In recent years, the custody business of commercial banks in China has continued to expand. According to the *Development Report of China Asset Custody Industry (2025)* published by the CBA, as of the end of 2024, the custody scale of asset management products in the banking sector reached RMB182.20 trillion, representing a year-on-year increase of 12.64%; together with customer fund custody services, the total scale amounted to RMB239.90 trillion. As financial products grow in variety and innovation, the market has placed higher demands on the custody business in terms of **specialization, refinement, and standardization**.

Against this backdrop, the NFRA formally promulgated the *Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)* (the “Custody Measures”) on 12 December 2025. The Custody Measures represent the first time that regulators have established a comprehensive regulatory framework for the custody business of commercial banks in the form of departmental regulations, filling a gap in the foundational regulatory framework and signaling the official upgrade of the custody business from a “supporting service” in the asset management sector to **an independent and prudential financial business category**.

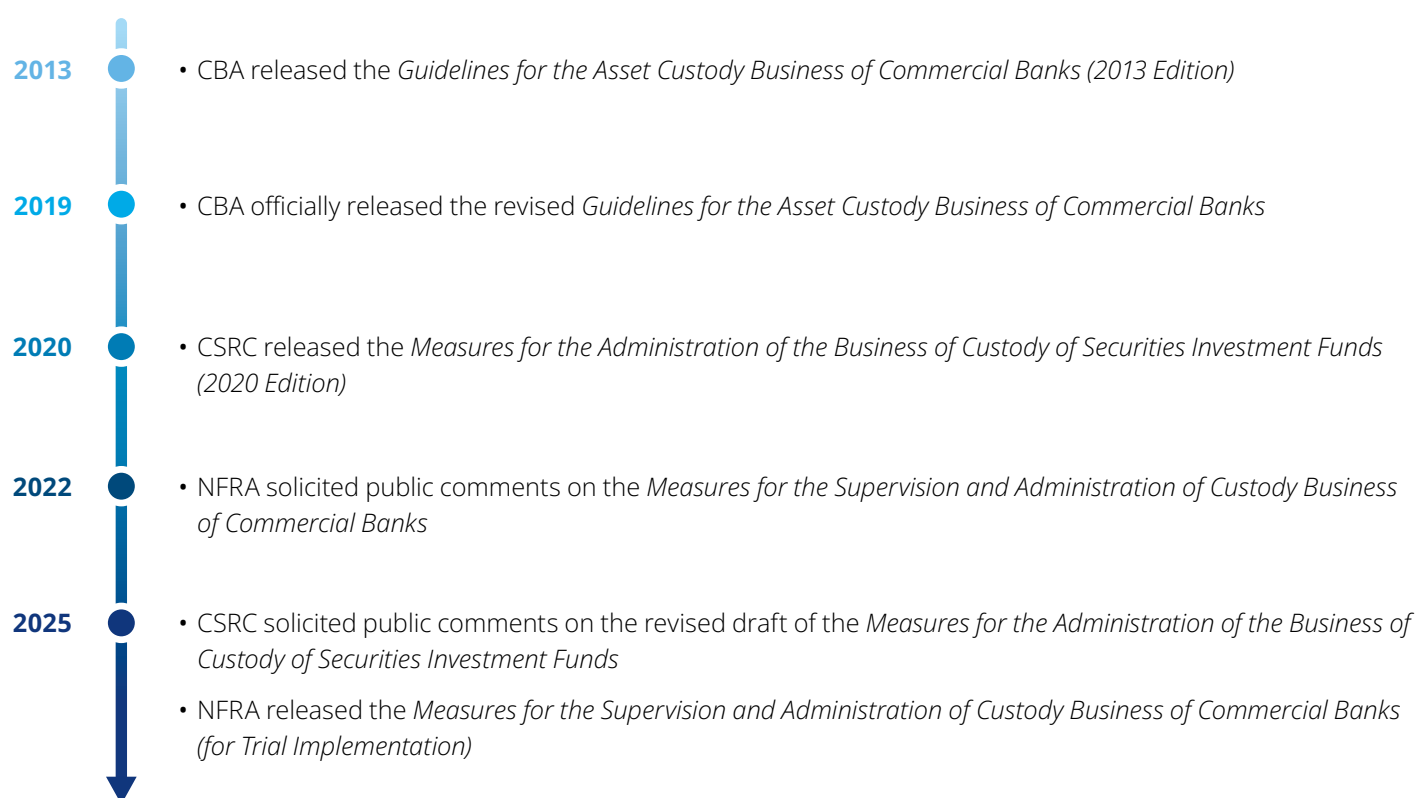
The Custody Measures took effect on 1 February 2026, with a three-year **transition period** (till 2029) rendered to existing business to ensure smooth business rectification and compliance.

Enhance legislation to fill the regulatory gap in the banking sector

Prior to the release of the Custody Measures, the management requirements governing the custody business of commercial banks were scattered across various product-specific standards, lacking a unified overarching regulation. The promulgation of the Custody Measures has effectively consolidated these regulatory requirements, putting an end to the reliance primarily on sector self-

regulatory guidelines (such as the *Guidelines for the Asset Custody Business of Commercial Banks*) and measures for the administration of specific products (such as the *Measures for the Administration of the Business of Custody of Securities Investment Funds*), and has established an authoritative and unified regulatory cornerstone for the entire sector.

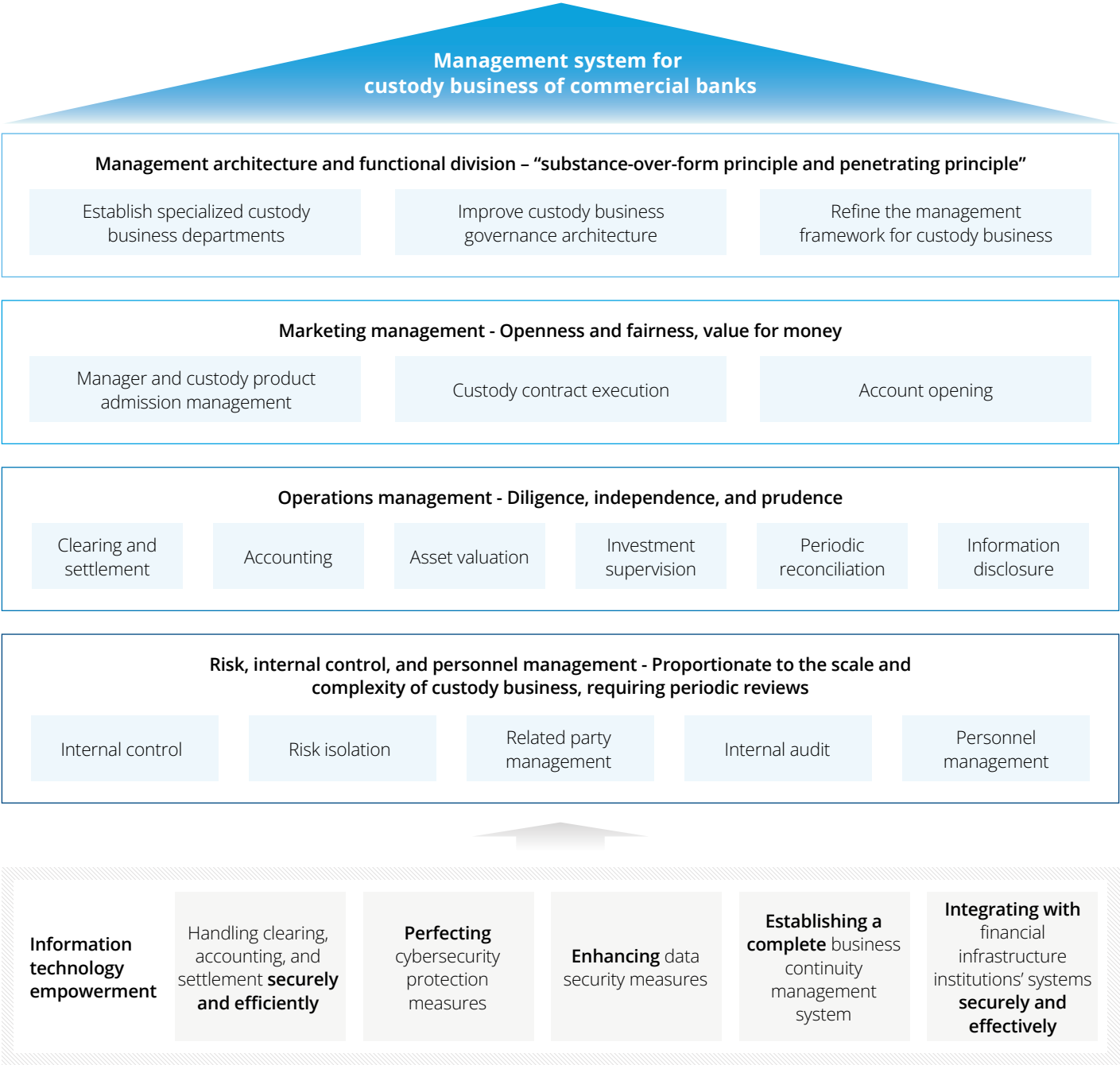
Figure 1: Evolution of Mandatory Regulations for Asset Custody Business



Hot topics

11. In-depth analysis and practical implementation of the new Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)

Core of the new regulations: Establish a clear management architecture for custody business



The Custody Measures, comprising 49 articles in five chapters, systematically establish the regulatory framework for the custody business.

Clearly define the scope of business for the first time

The custody responsibilities are strictly limited to “property custody and related services”, clarifying that commercial banks, as independent third parties, do not assume investment management or guarantee responsibilities, **thereby fundamentally delineating the boundaries of rights and responsibilities**. “Independence, prudence, and risk isolation” represent the core principles of the custody business.



Specify fundamental responsibilities and prohibited acts

The Custody Measures detail **core responsibilities** including asset custody, fund clearing, accounting and valuation, and investment supervision, **while also specifying prohibited acts** (such as assuming credit risk, providing guarantees, advancing funds, or participating in investor suitability management). These provisions are designed to address the issues of **unclear division of responsibilities** between custodians and managers and of **excessive risk-taking**.



Establish a sound business governance architecture

The Custody Measures set forth specific requirements across multiple dimensions including management systems, business independence, system development, data security, and personnel management, and refine the management standards for key operational areas. Particular emphasis

is placed on **information technology and data security**. Additionally, **by establishing a negative list for custody product admission**, the Custody Measures aim to curb the “expansion-first, risk-control-second” development model.



Emphasize prudent admission and ongoing assessment of custody responsibilities

Commercial banks are required to establish admission standards for customer qualifications, product categories, and asset types, and to implement a negative list for the custody business and a whitelist management system for counterparties, with dynamic adjustments maintained. The Custody Measures emphasize that commercial banks shall conduct their business in accordance with laws and regulations, relevant regulatory provisions, and terms of custody contracts. In particular, for custody products

investing in non-standard assets, commercial banks shall, **based on their own capabilities, conduct a thorough assessment of the service content and scope in areas such as valuation and accounting, investment supervision, and related services** during the product admission and contract execution stages, **ensuring that contractual terms are compliant and unambiguous, risks are fully disclosed, and custody operations are practically implementable**.



Introduce a risk provision requirement for the custody business for the first time

Commercial banks are required to set aside risk provisions from income from the custody business based on the substance-over-form principle and the penetrating principle, prudently calculate risk-weighted assets for the operational risk, and make provisions for capital in accordance with relevant capital management provisions.



Strengthen data protection and reasonable data utilization

Commercial banks must effectively protect and reasonably utilize custody business data and customer information, and shall not violate laws and regulations, or terms of custody contracts.



Three-Year compliance period for rectification

For existing business that does not comply with the Measures (such as advancing funds for custody products, providing liquidity support or financing commitments, or providing direct or indirect, explicit or implicit guarantees), rectification shall be completed within three years from the effective date of the Measures. For cases where commercial banks have already advanced funds, provided liquidity

support, or made financing commitments for custody products, commercial banks shall, based on the **substance-over-form principle and the penetrating principle**, accurately identify and assess business risks, conduct **asset risk classification** in accordance with relevant provisions, and **make provisions for impairment and capital**.

Hot topics

11. In-depth analysis and practical implementation of the new Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)

Regulatory synergy: Complementarity with the new fund custody regulations

In H1 2025, the CSRC released the *Measures for the Administration of the Business of Custody of Securities Investment Funds (Revised Draft for Public Comments)*. Although the two sets of measures differ in business scope (comprehensive asset custody vs. a focus on securities

investment funds) and in chapter structures, **their core regulatory orientations are highly aligned**—both emphasize property independence, risk isolation, and due diligence. Together, they form the regulatory matrix for China's financial custody business.

Overall framework comparison

Comparison dimension	<i>The Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)</i>	<i>The Measures for the Administration of the Business of Custody of Securities Investment Funds (Revised Draft for Public Comments)</i>
 Business scope	Comprehensive asset custody , covering securities investment funds, pension funds, insurance funds, wealth management products, cross-border assets, and other types of custody business	Focus on the custody of securities investment funds , with a relatively concentrated business scope
 Chapter structure	General provisions (purpose, definitions, and scope of application) Custodian institutions (admission, ongoing requirements, and corporate governance) Custody business operations (responsibilities, processes, and risk control) Supervision and management (regulatory measures, and legal liability) Supplementary provisions	General provisions Custody qualifications (conditions, application, and approval) Custody business responsibilities (asset custody, investment supervision, valuation and accounting, etc.) Supervision and management, and legal liability Supplementary provisions
 Regulated entities	Commercial banks (including all types of asset custody business as conducted)	Securities investment fund custodian institutions (primarily eligible commercial banks or other financial institutions)

1 Admission and qualification management

Key points	<i>The Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)</i>	<i>The Measures for the Administration of the Business of Custody of Securities Investment Funds (Revised Draft for Public Comments)</i>
 Admitted entities	Limited to commercial banks; no explicit quantitative thresholds for net assets; emphasis on qualitative requirements such as regulatory ratings, compliance records, governance structure, and system capabilities	Covering commercial banks, securities firms, and other financial institutions; commercial banks must have net assets of at least RMB50 billion, while securities firms and other institutions must have net assets of at least RMB30 billion; regulatory rating of Grade 2/ Class A or above for the past three years, and must demonstrate substantive operational capacity and be among the sector leaders in terms of scale

Key points	<i>The Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)</i>	<i>The Measures for the Administration of the Business of Custody of Securities Investment Funds (Revised Draft for Public Comments)</i>
 Business license	Incorporated into the routine business regulation of commercial banks; not subject to separate license management; emphasis is placed on continuous compliance with regulatory requirements	Fund custody license is subject to an approval system; three new scenarios for license revocation are included, namely, failure to conduct substantive operation, failure to maintain compliance, and voluntary deregistration, for the purpose of refining the market entry and exit mechanism
 Organizational structure	The establishment of custody subsidiaries is not mentioned; emphasis is placed on business independence and risk isolation	Superior top-tier custodian institutions are permitted to establish wholly-owned subsidiaries dedicated to the custody business; subsidiaries shall have paid-in capital of at least RMB5 billion; parent companies must meet specified scale and compliance indicators

② Definition of custodial responsibilities

Key points	<i>The Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)</i>	<i>The Measures for the Administration of the Business of Custody of Securities Investment Funds (Revised Draft for Public Comments)</i>
 Core responsibilities	Account opening, asset custody, clearing and settlement, accounting, asset valuation, information disclosure, investment supervision, etc., with eight explicit prohibitions (such as not assuming credit risk, not providing guarantees, and not advancing funds)	Building on traditional custodial responsibilities, the measures specify investment supervision, net value accounting, monitoring of related-party transactions, and “end-to-end custodianship” (including privately-offered securities funds), requiring whole-process penetrative supervision and clarifying arrangements for the handover upon termination of responsibilities
 Scope of responsibilities	Emphasize that the custodians act independently and prudently, bear no credit risk of the products, and do not participate in investment decision-making or investor suitability management	Reinforce the whole-process supervisory responsibilities, holding it accountable for the fund investment scope, related-party transactions, net value accuracy, etc.; explicitly mandate “end-to-end custodianship” for privately-offered securities funds; establish a three-year transition period for existing business

Hot topics

11. In-depth analysis and practical implementation of the new Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)

③ Risk control and internal control requirements		
Key points	The Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)	The Measures for the Administration of the Business of Custody of Securities Investment Funds (Revised Draft for Public Comments)
 Risk isolation	Require the custody business to be strictly isolated from other business lines in terms of personnel, assets, systems, and frameworks, so as to safeguard the independence of custodial assets and prohibit commingling of assets	Introduce a dedicated chapter on internal controls and risk management, detailing requirements for risk isolation, data security, and operational risk prevention and control; impose more quantitative and operable standards for the isolation of the custody business from other business lines
 Compliance management	Incorporate both compliance and prudence of the custody business into regulatory ratings; violations could result in orders to make rectification, suspension of business, and penalties imposed under the <i>Banking Supervision Law of the PRC</i>	Specify exit scenarios such as failure to conduct substantive operation or compliance failure, and authorize the revocation of licenses for non-compliant institutions; strengthen regulatory collaboration and information sharing, with the CSRC and the NFRA jointly supervising the fund custody business of commercial banks

The *Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)* and the *Measures for the Administration of the Business of Custody of Securities Investment Funds (Revised Draft for Public Comments)* jointly constitute a “matrix” for regulation of China’s financial custody business, and it is expected that cross-sectoral **regulatory trends will converge in the future**.

 Disclosure standards: Custodian institutions transition from “back-office support” to “cross-departmental coordination”

In December 2025, the NFRA officially released the *Measures for the Administration of Information Disclosure of Asset Management Products of Banking and Insurance Institutions*, which standardizes information disclosure for asset management trust products, wealth management products, and insurance asset management products. The measures explicitly state that disclosure obligors include product managers, sales institutions, custodian institutions, and other entities specified by laws and regulations. When multiple disclosure obligations are associated with a single product, responsibilities may be reasonably allocated through agreements to address issues such as obscure boundaries of disclosure

responsibilities among relevant parties, inconsistent disclosure standards, and insufficient transparency.

Under the new regulations, asset custodian institutions, as a vital bridge connecting product managers and investors, are bound to undergo a new wave of transformation and reform. They must shift from being passive “data recipients” to active “disclosure facilitators”, and comprehensively address and systematically optimize their processes for **disclosure timelines, disclosure content, penetrative disclosures, and net value reconciliation**. In doing so, they can fulfill their independent third-party supervision function and prevent the distortion of disclosed information.

Product type	Disclosure frequency and timelines for periodic reports	Core disclosure content
 Publicly-offered products	- Quarterly reports: Within 15 business days after the end of the quarter - Semi-annual reports: On or before 31 August each year - Annual reports: On or before 30 April each year	1. Outstanding balance and leverage level 2. For non-cash management products: Net values, income, and distribution details; for cash management products: Net values and annual yields 3. Investment account information 4. Details of the product's primary investment assets, listing asset classes and proportions before and after penetration (excluding publicly-offered funds) 5. Specific names, scales, and proportions of the top ten assets 6. Investment strategies and operational analysis 7. Related-party transactions 8. Financial accounting reports attached to the annual reports (where the accompanying financial accounting report must be audited, the external audit opinion must be disclosed) 9. Semi-annual/annual reports accompanied by custodian reports
 Privately-offered products	Quarterly/semi-annual/annual reports disclosed in accordance with regulations, regulatory requirements, and contractual terms	1. Outstanding balance, leverage levels, etc. 2. Details of net values and income 3. Investment account information 4. Investment asset details 5. For tiered products, present risk-income information for each tier separately 6. For investments in other products subject to the Guiding Opinions, disclose the selection criteria for such investments 7. Investment activities of managers and related parties

The *Measures for the Administration of Information Disclosure of Asset Management Products of Banking and Insurance Institutions* grant institutions an eight-month transition period and will officially take effect on 1 September 2026. During the transition period, asset custodian institutions will undertake multiple tasks, including revising relevant

frameworks, upgrading systems, coordinating and collecting data, and signing data agreements; they will also advance compliance adjustments in parallel across business segments, and complete system debugging and testing, to ensure that the disclosure mechanism operates smoothly upon completion of the transition period.

Technology empowerment: Build a solid digital foundation through technological innovation to drive business transformation

The Custody Measures explicitly require commercial banks to have **secure and efficient information systems for the custody business**, as well as robust network and data security measures. This is not only a compliance baseline but also a strategic guideline for the sector to **prioritize technological innovation**. As the custody business

continues to globalize, future core competitiveness will lie in taking the lead in **building a solid digital foundation**, with a focus on building **a unified data middle platform and open API capabilities** to break down data silos between domestic and overseas markets and enable the efficient flow of cross-border business data.

Hot topics

11. In-depth analysis and practical implementation of the new Measures for the Supervision and Administration of Custody Business of Commercial Banks (for Trial Implementation)

This solid technical foundation will directly support **scale expansion** of the custody business and **flexible deployment** of agency services, laying the core technological groundwork for the future platform-based integration of comprehensive services such as custody and agency services.

According to Deloitte's observations, the aforementioned technical path aligns closely with current sector trends. **Custodian institutions are working to integrate the underlying data architectures across multiple platforms. Through unified management of data under custody, they are fully embracing AI, harnessing AI**

and data to drive the transformation and upgrading of custody services. Through automated and intelligent system upgrading and transformation—including the application of technologies such as blockchain and AI-powered valuation—and by enhancing service efficiency via automated clearing, custodian institutions can not only free operational teams from repetitive tasks so they can focus on risk identification and value-added services, but also significantly improve operational efficiency, transparency, and customer loyalty. Ultimately, this will drive a fundamental transformation of the custody business from **a labor-intensive to an information technology-intensive model.**

Conclusion

Move toward a new era of stringent regulation and professional development

The Custody Measures have elevated the “soft constraint” of sector self-regulatory guidelines into a “hard constraint” of departmental regulations, marking a new stage of **stringent regulation and professional development** for the custody business of China's commercial banks. Going forward, competition in the sector will revert to the fiduciary essence of “safeguarding assets on behalf of customers”, evolving into a comprehensive contest of **system automation capabilities and risk control and compliance strength**. To seize opportunities arising from the sector reform, commercial banks must harness technology empowerment as a core enabler, continuously enhance their risk control and digital operating systems, and proactively respond to evolving regulatory requirements.



2026

Macroeconomic and Banking Outlook

Moderate global economic recovery: Geopolitical conflicts and returns on AI investments become key variables

Looking ahead to 2026, the global economy is expected to continue its trend of moderate recovery, though growth momentum will remain weaker than pre-pandemic levels. The latest forecast from the IMF and the United Nations for global economic growth in 2026 stands at 3.1% and 2.7%, respectively, both falling short of the average annual growth rate of 3.7% recorded during 2010-2019. Growth in developed economies is expected to remain around 1.6%, weighed down by factors such as population aging and moderating returns on capital; emerging and developing economies, by contrast, are on track to achieve growth of about 4%, though some continue to face the dual challenges of debt sustainability and technological catch-up.

Geopolitical and trade dynamics remain key variables shaping the global economic trajectory. As the Russia-Ukraine conflict enters its fifth year and new developments unfold in the Middle East, these events bring uncertainty to international energy markets and inflation trends. The IMF Managing Director warned that if international oil prices remain 10% higher throughout the year, it would push global inflation up by 40 basis points while dragging

down the economic growth by 0.1 to 0.2 percentage points. Meanwhile, the global trade system is undergoing profound adjustments. The World Trade Organization has revised its forecast for global trade growth in 2026 down to 0.5%, markedly below the 2.4% recorded in 2025.

The wave of AI technology continues to evolve, and the alignment between surging investment enthusiasm and return cycles has become a focal point for the market. In 2026, the total investment in AI by the four tech giants, namely Microsoft, Google, Amazon, and Meta, is expected to exceed USD650 billion, demonstrating the tech sector's firm confidence in the technology's prospects. Meanwhile, the market is beginning to take a rational look at AI's commercialization path and investment return cycles, paying attention to practical constraints such as energy consumption and computing power costs. Should the Federal Reserve's pace of interest rate cuts fall short of market expectations, it would disrupt the prevailing narrative of low fund costs and further amplify the uncertainty risk associated with AI investments.

China anchors its economic growth baseline and unleashes endogenous momentum

For 2026, China has set its economic growth target within a range of 4.5% to 5%, a target that balances current challenges with long-term layout. Against the backdrop of sluggish global economic recovery and deepening domestic transformation and upgrading, this range-based target reserves ample policy space for structural adjustments, risk prevention, and deepening reforms, while steering local governments to shift their focus from pursuing speed to emphasizing quality. Moreover, this growth floor aligns with the requirements for achieving the 2035 long-term goals during the "15th Five-Year" Plan period—to double per capita GDP compared to the level recorded in 2020, the average annual growth rate over the next five years must be maintained at around 4.5%. As 2026 marks the opening year, securing stable growth in 2026 is tantamount to planning for the long term.

As the external environment grows increasingly complex, domestic demand-led growth has become a priority for stabilizing the national economy. Expanding domestic demand is not merely a near-term means to offset external shocks, but a strategic choice to alleviate structural pressures on the economy and bolster international competitiveness. Policy efforts will focus more on raising resident incomes. This will be achieved by boosting incomes of low-income groups, broadening channels for property income, and refining wage and social security systems, thereby building a more resilient social security net. Only when resident incomes continue to improve and the burdens that hold back spending reduce gradually can consumption upgrade and economic growth fuel each other in a virtuous cycle.

Regarding prices, the target for the year-on-year increase in the Consumer Price Index (CPI) in 2026 remains at around 2%. In Q4 2025, the underlying CPI trend already showed signs of a moderate rise, and “rate race” competition in some sectors has eased somewhat. The core of price policy in the coming year will lie in improving the overall supply-demand balance and promoting a steady recovery in the general price level. To this end, a full range of approaches will be taken, including production capacity regulation, standard-based guidance, pricing compliance, and quality supervision, to guide the market away from rat race competition toward sound development.

Currently, the root cause of supply-side imbalances in some sectors lies in excessive homogenized competition. The key to achieving high-quality development is to leverage the advantages of China’s supersized market, encourage enterprises to shift from price wars toward product and service upgrades, thereby enhancing their position in the value chain through orderly competition and reshaping global perceptions of and trust in Chinese manufacturing and services.

Table 1: List of Government Work Goals for 2026

Indicator	2025 goal	2025 achievement	2026 goal
GDP growth rate	Around 5%	5%	Economic growth of 4.5%-5%; strive for better results in actual work
CPI increase	Around 2%	Unchanged	Around 2%
Energy consumption per unit of GDP	Reduce by around 3%	Reduce by over 5%	Reduce “CO2 emissions per unit of GDP” by around 3%
Newly increased urban employment population	Over 12,000,000	12,670,000	Over 12,000,000
Urban unemployment rate	Around 5.5%	5.2%	Around 5.5%
Monetary policy	An appropriately accommodative monetary policy	-	Continue to implement an appropriately accommodative monetary policy
M2 growth rate	In step with projected economic growth and CPI levels	8.5%	In step with projected economic growth and overall CPI levels
Fiscal policy	A more proactive fiscal policy	-	Continue to implement a more proactive fiscal policy
Deficit ratio	4%	-	4%

Source: The Report on the Work of the Government 2026, Wind

Continue to implement a more proactive fiscal policy and an appropriately accommodative monetary policy

In 2026, the general public budget deficit ratio, the issuance volume of ultra-long special treasury bonds, and the volume of new special-purpose bonds will all remain unchanged from 2025 levels. The deficit will reach RMB5.89 trillion, with an increase of RMB230 billion attributed to the central government, underscoring the central government's strengthened commitment to fiscal responsibility. Expenditure in the general public budget is projected to reach RMB30 trillion for the first time, an increase of 4.4% over the last year. Emphasis will be placed on optimizing spending structure so that fiscal funds are used more cost-effectively, with priority given to boosting consumption, investing in people, and raising living standards.

Monetary policy continues to maintain an “appropriately accommodative” stance. Given the slight reduction in the GDP growth target (to around 4.5%-5%), the aggregate financing and money supply (M2) will “rise in step with projected economic growth and CPI levels”. Accordingly, the growth rates of aggregate financing and M2 will also slow down to accommodate the economy's transition from high-speed growth to high-quality development. The central bank will flexibly and efficiently employ a range of policy instruments, including cuts to required reserve ratios and interest rates, to maintain adequate liquidity. It is expected to cut interest rates 1-2 times this year, with deposit rate cuts matching or exceeding the reduction in the LPR, thereby safeguarding banks' reasonable net interest margins and profits.

Fiscal-financial coordination expands domestic demand, and supports sci-tech innovation and the private economy

The coordination of China's monetary and fiscal policies is primarily achieved through “relending facilities + fiscal interest subsidies”. These instruments work in coordination on both the supply and demand sides of the credit market to refine the allocation of financial resources, while credit enhancement approaches, such as guarantees, help share risk costs of loans and bonds, thereby expanding financing support for enterprises. In January 2026, PBC and MOF announced a package of policy measures to continue working in coordination to expand domestic demand, support sci-tech innovation and technological transformation, assist MSMEs and the private economy, boost consumption, and facilitate bond issuance by private enterprises.

In March, the *Report on the Work of the Government 2026* further underscored the need to “boost coordination between fiscal, financial, employment, industrial, and other policies”, including the creation of a special fiscal-financial coordination fund for domestic demand expansion of RMB100 billion to facilitate domestic demand expansion, fostering of new growth drivers, and greater self-reliance and strength in science and technology.

Table 2: A Package of Policy Measures Announced by PBC and MOF in January 2026 Worked in Coordination to Expand Domestic Demand

Area	PBC's "relending" policy	MOF's "interest subsidy" policy
Equipment renewal	The quota for the relending facility supporting sci-tech innovation and technological transformation has been further increased by RMB400 billion, raising the total to RMB1.2 trillion, and the relending rate has been cut to 1.25%.	Fixed-asset loans and sci-tech innovation loans related to equipment renewal are covered by interest subsidies.
Support for MSMEs and the private economy	- The quota for the central bank lending for the rural sector and MSBs has been increased by RMB500 billion, with its interest rate lowered by 0.25 percentage points; - A private enterprise relending facility, with a quota of RMB1 trillion, has been established under the central bank lending for the rural sector and MSBs to guide local corporate financial institutions in stepping up support for private MSMEs.	An interest subsidy policy for loans to MSMEs has been introduced, providing an interest subsidy of 1.5 percentage points on loans granted to MSMEs in targeted key industries, thereby contributing to reduced financing costs of MSMEs.
Boosting consumption	- In May 2025, a relending facility for service consumption and elderly care (with a quota of RMB500 billion) was established to guide financial institutions in providing credit support for key service consumption sectors such as accommodation and catering, culture, sports and entertainment, education, residential services, tourism, and elderly care. - In January 2026, the scope of support was broadened to include the health sector when appropriate, and the relending rate was lowered to 1.25%.	The interest subsidy policy on loans for service sector operators has been optimized, expanding policy support to three consumption sectors: the digital, green, and retail sectors.
Risk-sharing policy to support bond issuance by private enterprises	The risk-sharing instruments for sci-tech innovation bonds and private enterprise bonds have been consolidated, with a total combined relending quota of RMB200 billion.	The central government has allocated risk-sharing funds and coordinated with PBC to provide credit enhancement support for bond issuance by private enterprises and equity investment institutions, thereby enhancing the risk appetite of financial institutions.

Source: PBC and MOF

Technology finance supports innovation and creation, accelerating industrial transformation and upgrading via M&A loans

With the introduction of policies such as the “New Nine Measures” and the “Six Measures on M&A”, a clear trend toward industrial consolidation and upgrading has emerged. Traditional sectors are entering a phase of consolidation and optimization, while emerging sectors continue to expand and mature. Market entities seek to achieve sector integration as well as transformation and upgrading through equity investments. Against this backdrop, on 31 December 2025, the NFRA revised the 2015 *Guidelines for the Risk Management of Merger and Acquisition Loans Granted by Commercial Banks*, issuing the new Measures for the *Administration of Merger and Acquisition Loans Granted by Commercial Banks* (“the Measures for M&A Loans”), which

introduce non-control acquisitions for the first time and raise the maximum loan-to-value ratio (LTV) for control M&A loans to 70%.

The Measures for M&A Loans are actively stimulating commercial banks to expand their M&A loan business, increase fund supply, and support both the upgrading of traditional sectors and the development of emerging sectors. A number of state-owned banks and joint-stock banks have already successively granted non-control M&A loans, signaling that policy dividends of the new measures are rapidly materializing.



Table 3: Measures for M&A Loans Granted by Commercial Banks

Measures for M&A Loans	Key revisions
Expanded scope of eligible M&A loans	M&A loans are permitted for non-control acquisitions
Optimized loan terms	The maximum LTV ratio for control M&A loans has been raised from 60% to 70%, and the maximum loan period has been extended from 7 years to 10 years
Differentiated business qualification requirements	Banks engaging in different types of M&A loans are subject to different asset scale thresholds. Commercial banks that grant control M&A loans must have an adjusted total of on- and off-balance-sheet assets of no less than RMB50 billion, on an unconsolidated basis, at the end of the prior year; for those granting non-control M&A loans, the threshold is RMB100 billion

Source: NFRA

Providing financial support to move faster to achieve greater self-reliance and strength in science and technology, the *Report on the Work of the Government 2026* highlights technology finance, stressing the need to “ensure that technology finance truly supports innovation and invention”. It calls for improving full life-cycle, whole-of-chain financial services for sci-tech innovation and establishing routine “fast-track channels” for public listing, merger, acquisition,

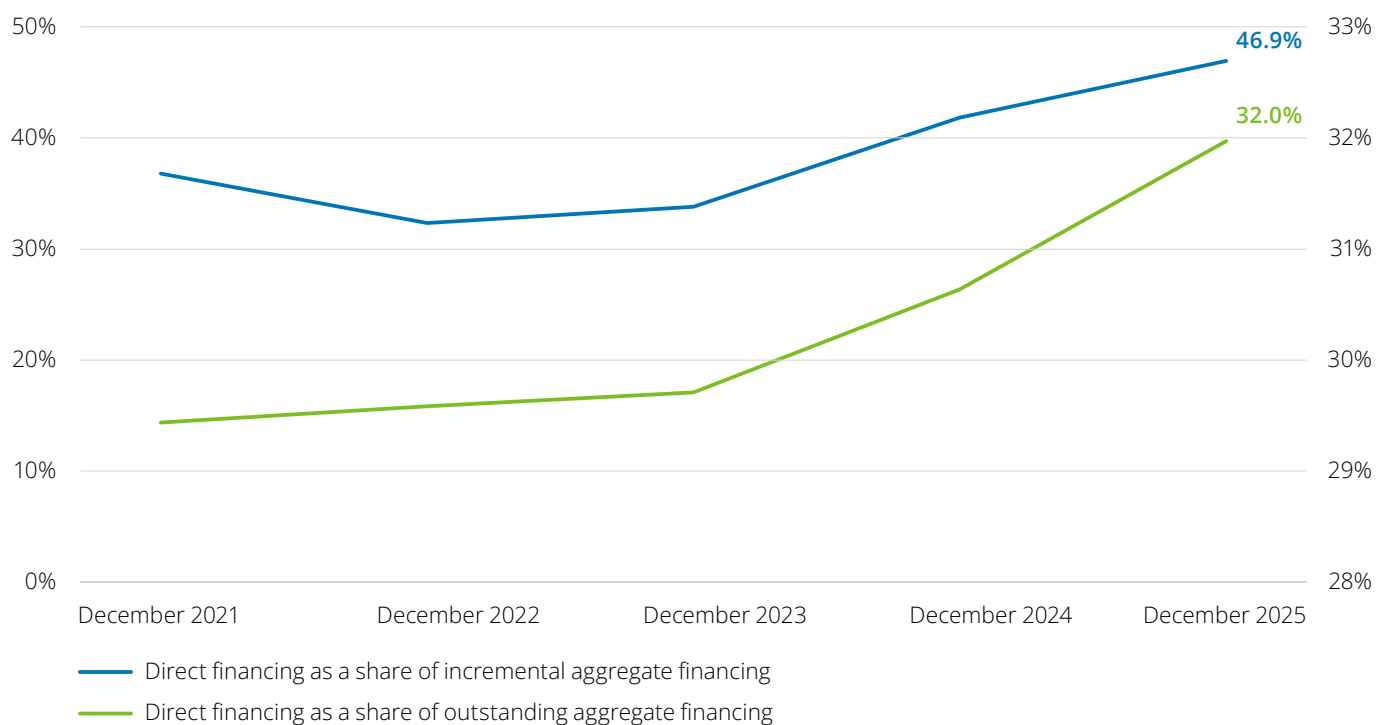
and restructuring for enterprises developing core technologies in key fields. The sci-tech board in the bond market has also seen regularized development. Policy instruments such as the special fiscal-financial coordination fund for domestic demand expansion are expected to leverage social capital, leading to a corresponding upturn in the securities investment sector.

 The capital market sees coordinated progress in investment and financing, the share of direct financing continues to rise

On the reform of the fiscal, tax, and financial systems, the *Report on the Work of the Government 2026* addresses deepening comprehensive investment and financing reforms in the capital market. The market entry mechanisms for medium- and long-term capital will be improved, meaning that incremental long-term, stable funds from social security, insurance, wealth management, and other

sources will continue to grow. Increasing the shares of direct financing and equity financing will continue to drive a restructuring of fund flows, where credit, equity, and bond financing channels wax and wane and substitute for one another. As a result, the proportion of direct financing in aggregate financing will keep rising.

Figure 1: Sustained Rise in the Proportion of Direct Financing



Source: PBC

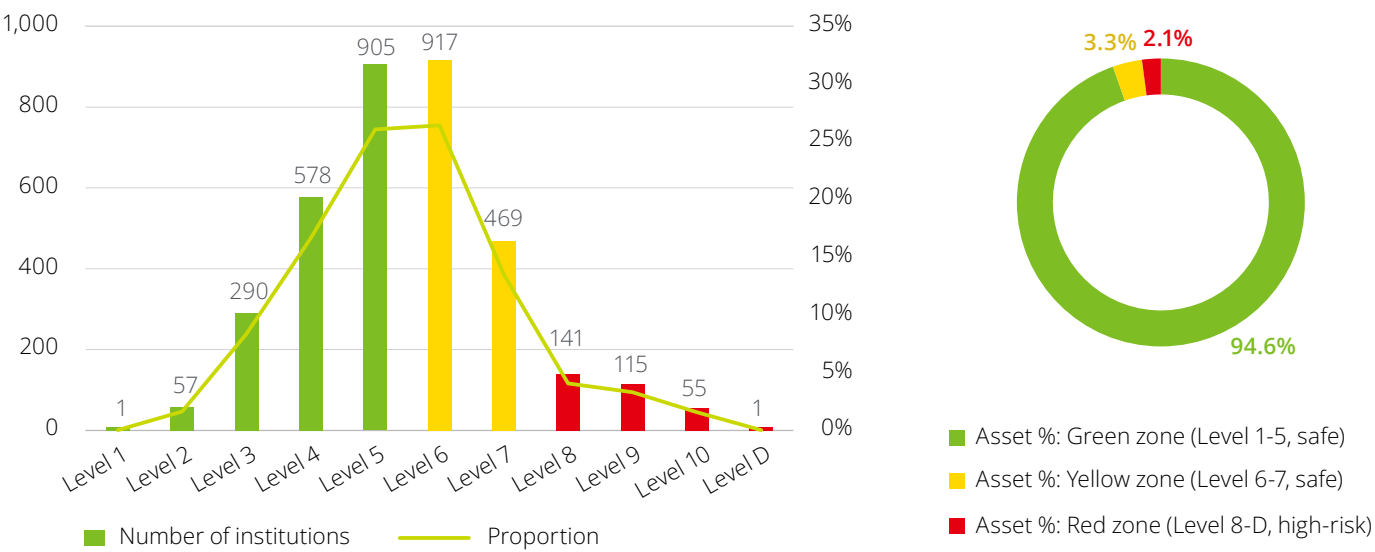


Small and medium financial institutions are improving performance, and actively reforming to resolve risks

The PBC's *Financial Stability Report 2025* disclosed financial institution ratings conducted in H1 2025 on 3,529 banking institutions, including 21 national banks and 3,508 local corporate banks. Overall, risks among banking institutions continued to converge. All 21 national banks were in the green zone, and their assets accounted for 71% of the total

assets of all participating banks, serving as ballast stones of financial system stability. Among city commercial banks, 68% of institutions were in the green zone. For rural small and medium financial institutions, combined assets of banks in the red zone constituted under 1% of that of all participating banks.

Figure 2: Results of the Central Bank Rating of Financial Institutions as of H1 2025



Source: PBC

The *Report on the Work of the Government 2026* has changed its statement on financial risks from “proactive prevention” to “active and prudent resolution”, directly tackling risk resolution with clear and unambiguous wording. It also explicitly calls for “ramping up capital replenishment through various channels”: 1) Following the capital injection for the first batch of four major banks in 2025, a total of RMB300 billion special treasury bonds will be issued in 2026 to inject capital into ICBC and ABC, both of which have massive assets and consequently higher capital requirements. 2) Small and medium banks will ramp up capital replenishment

to facilitate reform and risk resolution. A full range of resources and means will be leveraged to address risks in small and medium local financial institutions, including by issuing convertible bonds and perpetual bonds and exploring debt-to-equity swaps, while prudently disposing of non-performing assets held by financial institutions. The fiscal budget report stipulates that “the conditions, standards, and procedures for using public resources to resolve local financial risks will be strictly enforced”, underscoring a stronger emphasis on market-based and law-based principles.

Leverage the dual engines of digital technology and data elements to support the digital economy

In December 2025, building on the *Guidance on Digital Transformation of Banking and Insurance Sectors* (issued in January 2022), the NFRA released the *Implementation Plan for the High-Quality Development of Digital Finance in the Banking and Insurance Sectors*. The plan introduces new elements such as “AI+” and “Data Elements ×”, deepens the digital transformation of financial institutions, establishes the core strategy of “leveraging the dual engines of digital technology and data elements”, and aligns the development of the digital economy with the goal of building a financial powerhouse.

Through specific tasks, the plan sets out a “roadmap” for the digital finance development of the banking and insurance sectors over the next five years, marking a new stage in which China’s digital finance advances from “foundation building” to “quality upgrading”. 1) The digital transformation of the banking sector has entered uncharted waters, shifting from partial exploration to comprehensive, systematic advancement and from technology application to value creation. 2) The banking sector will see a differentiated landscape where major banks pursue comprehensive approaches while small and medium banks pursue distinctive approaches. The digital transformation of small

and medium banks will concentrate on scenario-based, practical applications to efficiently serve small and micro enterprises and self-employed individuals. 3) Technology architecture will be fully upgraded. The banking sector needs to build secure and controllable technology architecture capabilities, enhancing agility in application development and resource utilization efficiency. 4) Organizational and digital talent systems will be reshaped to cultivate an open, collaborative, and agile banking workforce and refine organizational structures. Interdisciplinary talents must possess knowledge spanning finance, technology, and data, enabling rapid responses to market changes through product innovation. 5) Digital finance is positioned as the ecosystem foundation serving the real economy. The digital coordination among technology finance, green finance, inclusive finance, pension finance, and digital finance will convert the banking sector’s digital capabilities into tangible quality and effectiveness in serving the economy. 6) Risk prevention and control systems will become more intelligent. The digital transformation of the banking sector will gradually become a key instrument for preventing and controlling risks and optimizing business structures.

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