Credit Opinion

27 November 2026

Bank of Nanjing Co., Ltd.

Initial credit rating report

Ratings	
Category	Financial Institution
Domicile	China
Rating Type	Unsolicited Rating
Long-Term Credit Rating	A_g
Outlook	Stable

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CCXAP assigns first-time long-term credit rating of A_g to Bank of Nanjing Co., Ltd., with stable outlook.

Summary

The A_g long-term credit rating of Bank of Nanjing Co., Ltd. ("NJBK" or the "Bank") is underpinned by the Bank's (1) strong market position as one of the five largest city commercial banks in China by assets and its status as a domestic systemically important bank, benefiting from the well-developed economy of Jiangsu Province and Nanjing City; (2) distinctive franchise in financial markets and interbank business; (3) relatively low and stable non-performing loan ratio and high level of loan loss coverage; and (4) adequate liquidity.

However, the rating is constrained by the Bank's (1) relatively high reliance on market-based wholesale funding compared with larger state-owned commercial bank peers; (2) moderate capital buffers amid rapid asset expansion; and (3) asset quality and earnings pressure arising from fast loan growth, rising retail and real estate exposures, and the market risk embedded in its sizeable investment portfolio.

The rating also incorporates our expectation that the Bank has a very high likelihood of receiving extraordinary support from the Chinese government, as well as the Jiangsu Provincial Government and the Nanjing Municipal Government, given its (1) significant market position in China's financial system; and (2) large stake held by state-owned shareholders.

The stable outlook on NJBK's rating reflects our expectation that the willingness and ability of the Chinese government to provide support is unlikely to change, and that the Bank will sustain its market position and stable financial profile in the next 12 to 18 months.

Rating Drivers

- Leading city commercial bank in Jiangsu Province and Nanjing City
- Stable profitability supported by diversified revenue mix and cost efficiency
- Low NPL ratio and high loan loss coverage, but asset quality under pressure from rapid loan growth
- Moderate capitalization constrained by rapid asset growth
- Relatively high reliance on market-based wholesale funding
- Adequate liquidity supported by high-quality liquid assets
- High likelihood to receive government support in times of need

Rating Sensitivities

What could upgrade the rating?

The rating could be upgraded if (1) the likelihood of receiving government support increases; (2) the Bank's macro profile strengthens, such as higher sovereign rating for China, significant improvement in corporate debt leverage, or better credit condition in China; and (3) the Bank's financial profile improves, such as sustained improvement in its capitalization and a lower reliance on market-based funding.

What could downgrade the rating?

The rating could be downgraded if (1) the likelihood of receiving government support decreases; (2) the Bank's macro profile weakens, such as lower sovereign rating for China, heightened corporate debt level, or worsened credit condition in China; or (3) the Bank's financial profile deteriorates, material deterioration in asset quality following rapid loan growth, a further decline in capitalization, or a significant increase in reliance on market-based funding.

Key Indicators

	2023FY	2024FY	2025FY	2026Q3
Total Assets (RMB billion)	2,288.3	2,591.4	3,021.8	3,286.8
Total Equity (RMB billion)	172.6	192.0	210.3	222.0
Operating Income (RMB billion)	45.2	50.3	55.5	47.2
Net Profit (RMB billion)	18.6	20.4	22.1	19.6
Pre-provision Operating Profit/Average Risk-weighted Assets (%)	2.2	2.2	2.2	-
Problem Loans/Total Loans (%)	0.90	0.83	0.83	0.83
Capital Adequacy Ratio (%)	13.5	13.7	13.2	12.9
High Liquid Assets/Total Assets (%)	31.9	32.5	39.7	-
Market Funding/Total Assets (%)	29.8	31.8	35.0	35.7

All ratios and figures are calculated using CCXAP's adjustments. Indicators marked with "-" are not applicable or not comparable.

Source: Bank data, CCXAP research

Corporate Profile

Established in 1996 and headquartered in Nanjing City, Jiangsu Province, NJBK is one of the five largest city commercial banks in China by total assets. The Bank was listed on the Shanghai Stock Exchange (Stock code: 601009.SH) in 2007. As of 31 December 2025, NJBK operated 17 branches with 289 outlets, together with subsidiaries covering wealth management, fund management, consumer finance and rural banking. The Bank has been designated as a domestic systemically important bank ("D-SIB") by the People's Bank of China

("PBoC") and the National Financial Regulatory Administration ("NFRA"). NJBK has no controlling shareholder or actual controller. As of 30 September 2026, the top ten shareholders held an aggregate 72.2% of total shares, and BNP Paribas remained the largest shareholder with an 18.4% stake.

Exhibit 1. Top 10 shareholders as of 30 September 2026

Shareholder Name	Shareholding Ratio (%)
BNP Paribas (including QFII)	18.4
Jiangsu Communications Holding Co., Ltd.	15.0
Nanjing Zijin Investment Group Co., Ltd.	11.4
Nanjing Gaoke Company Limited	10.0
China National Tobacco Corporation Jiangsu Provincial Company	3.8
Happiness Life Insurance Company Limited - Own Funds	3.3
Zijin Trust Co., Ltd.	2.8
China Life Insurance Company Limited - Traditional - Ordinary Insurance Products - 005L-CT001 Shanghai	2.7
Hong Kong Securities Clearing Company Limited	2.5
Eastern Airport Group Investment Co., Ltd.	2.3
Total	**72.2**

Source: Bank information, CCXAP research

Rating Considerations

Macro Profile

NJBK has substantial footprint in China. Its macro profile is underpinned by China's (1) robust economy and fiscal strength; (2) high but stabilizing systematic financial leverage; and (3) stable and reliable financial system. China has strong economic fundamentals and institutional strength. It is the second-largest economy in the world, with a gross domestic product of USD19.6 trillion in 2025. China has demonstrated long-term stability in its political environment and high efficiency of government.

NJBK's macro profile also incorporates China's high but stabilizing systematic financial leverage, as measured by the domestic credit to private sector to GDP ratio of approximately 194.2% in 2024, representing an increase from 189.6% in 2023. China has a stable and effective financial system, with no material failure in the banking sector over the past 10 years. The Chinese authorities have a good track record in monitoring and regulating the banking sector. In 2022, China proposed the new Financial Stability Law （《金融稳定法》）, aiming to mitigate systemic shocks from the failure of smaller banks and curb contagion risk. In 2023, the regulator introduced the new rule on banks' asset risk classification, namely the Measures for the Classification of Financial Asset Risks of Commercial Banks （《商业银行金融资产风险分类办法》）, which is expected to strengthen banks' reporting standards and gradually reduce inconsistency in financial asset classification.

Funding conditions for Chinese banks remain favorable and have benefited from a stable deposit base and ample interbank liquidity conditions. Chinese banking assets and liabilities grew continuously in 2025, with a year-over-year ("YoY") increase of 9.2% for both. However, market competition has intensified as banks are adjusting against financial reform and innovation. The lowering interest rate environment in China also pressures banks' profitability, especially for small and medium banks like city commercial banks and rural commercial banks in China. The weighted average interest rate of newly issued corporate loans was around 3.1% in December 2025, which recorded the lowest level in history.

City commercial banks are of unique importance to the regional financial system and constitute the third tier in China's banking system, after the large state-owned and joint-stock commercial banks in terms of size. Over the past thirty years, they have emerged as the fastest-growing segment in China's banking industry, with total assets amounting to RMB66.0 trillion (14.0% share of the banking system) as of end-2025. City commercial banks play a critical role in fulfilling the policy mandate of serving urban and rural residents, SMEs, and the local economy. Nonetheless, in terms of business development, city commercial banks are facing dual challenges of continuing interest rate liberalization and intensifying competition from peers. In addition, weakened credit profile of small enterprises during the economic slowdown in China and the tightening bank regulations also increased asset quality pressure across the sector.

Financial Profile

Leading city commercial bank in Jiangsu Province and Nanjing City

Jiangsu Province is one of the most developed provinces in China, with high aggregate economic output and an established financial market. It is home to many of the world leading enterprises of electronic equipment, chemical, and textile, and has formed the largest manufacturing cluster in China. Jiangsu Province is the second largest province in China by gross regional product ("GRP"), after Guangdong Province, accounting for around 10.1% of the country's GDP. In 2025, its total GRP amounted to RMB14.2 trillion, a YoY increase of 5.3%. The per capita GRP also ranked top among all provinces in China for years. Jiangsu Province also has better credit environment compared with other provinces in China, evidenced by the low level of non-performing loan ratios and stronger profitability in general. In 2025, the outstanding balances of RMB deposits and loans held by financial institutions in Jiangsu Province grew by 9.0% and 9.4% YoY, respectively.

As a D-SIB and one of the five largest city commercial banks in China, NJBK operates with a dominant footprint in Jiangsu Province, where it maintains a leading market share, and has extended its business to the rest of the Yangtze River Delta and other economically developed regions such as Beijing. As of end-2025, the Bank's outstanding loans in Jiangsu Province accounted for 83.8% of its total loans, of which 25.1% were in Nanjing City, the provincial capital where the Bank is headquartered, while the rest of the Yangtze River Delta and other regions accounted for 10.8% and 5.4%, respectively. Nanjing City and Jiangsu Province provide the Bank with a deep pool of corporate, government and retail customers, and the local governments' development strategy towards advanced manufacturing, technology and green finance closely aligns with the Bank's lending priorities.

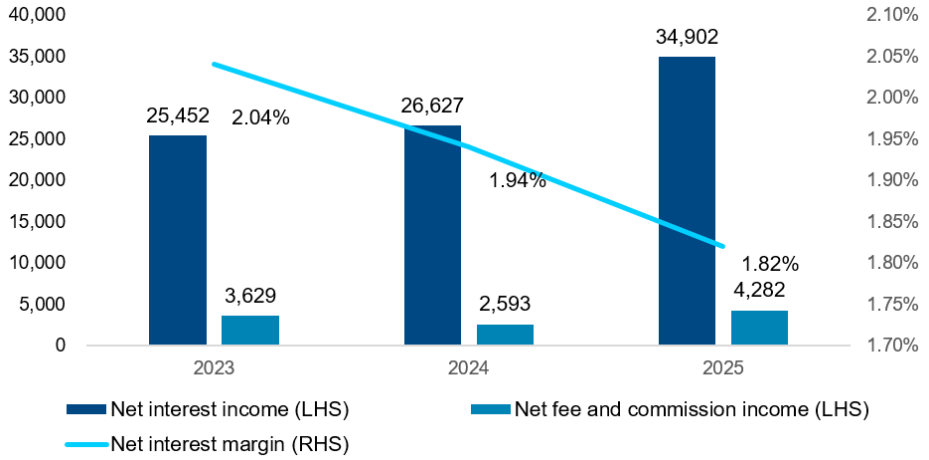
Stable profitability supported by diversified revenue mix and cost efficiency

Supported by its financial markets and interbank franchise, NJBK maintains a diversified revenue mix with a higher contribution from non-interest income than most city commercial bank peers. From 2023 to 2025, total revenue and net profit expanded at CAGRs of 10.9% and 8.8%, reaching RMB55.5 billion and RMB22.1 billion, respectively. Non-interest income accounted for 36.7% of total revenue in 2025, of which net fee and commission income contributed 7.7%. The Bank's reported net interest margin ("NIM") narrowed from 2.04% in 2023 to 1.82% in 2025, a smaller decline than the industry average, as rapid asset expansion and effective deposit cost management mitigated the pressure from loan repricing. Cost control remained a key earnings buffer, with the cost-to-income ratio declining to 26.1% in 2025 from 30.5% in 2023, and further to 19.3% in the first nine months of 2026, one of the lowest among Chinese banks.

However, NJBK's earnings are sensitive to conditions in the financial markets. Its net investment income, including fair value gains and losses, accounted for around 30% of total revenue over the past three years, exposing earnings to interest rate volatility and market sentiment. Asset impairment losses amounted to RMB13.9 billion in 2025, representing 34.8% of pre-provision operating profit, and increased to RMB14.3 billion

in the first nine months of 2026, or 38.2% of pre-provision operating profit, reflecting higher credit costs alongside double-digit loan growth. Accordingly, the Bank's pre-provision operating profit/average risk-weighted asset ratio was stable at around 2.2% from 2023 to 2025.

Exhibit 2. NJBK's revenue structure (RMB million) and NIM from 2023 to 2025



Source: Bank information, CCXAP research

Low NPL ratio and high loan loss coverage, but asset quality under pressure from rapid loan growth

NJBK maintains solid asset quality, evidenced by a low and stable non-performing loan ("NPL") ratio and high loan loss coverage level. As of 30 September 2026, the Bank's NPL ratio stood at 0.83%, unchanged from end-2025 and down from 0.90% at end-2023. The special-mention loan ratio declined to 0.98% from 1.17% at end-2023. The Bank's problem loan coverage ratio (allowance for impairment losses to problem loans) rose to 321.2% as of 30 September 2026 from 313.6% at end-2025, providing a substantial buffer against potential deterioration in asset quality.

Corporate loans remain the Bank's primary lending business, accounting for 78.0% of total loans as of 30 September 2026, while personal loans accounted for 22.0%. The loan book is diversified by industry, with the top five industries, led by leasing and business services (26.7%), wholesale and retail trade (11.1%), water conservancy, environment and public facilities management (11.0%), manufacturing (10.9%) and real estate (5.3%), accounting for 65.0% of total loans at end-2025. Customer concentration is low, with loans to the single largest and top ten clients representing 1.1% and 8.8% of net capital, respectively, as of 30 September 2026. Nevertheless, pressure is visible in specific segments: the corporate NPL ratio was 0.63% at end-2025, while the personal NPL ratio rose to 1.49%, driven by higher NPLs in housing mortgage, consumer and business loans. Loans to the real estate sector and individual residential mortgages together accounted for around 10% of total loans, with NPL ratios of 1.81% and 0.96%, respectively.

The Bank has strengthened risk resolution through write-offs, transfers and securitization, writing off RMB14.2 billion of loans in 2025. However, its loan book grew by 13.4% in 2025 and by a further 10.1% in the first nine months of 2026, faster than the industry average, and the unseasoned nature of the new loans means that their credit performance has yet to be tested through a full economic cycle. The formation of new NPLs and the migration of special-mention loans therefore warrant close monitoring, particularly given the slowing macroeconomic growth and the ongoing adjustment in the property sector.

Beyond its loan book, NJBK maintains a sizeable investment portfolio, which accounted for 43.0% of total assets at 30 June 2026. The portfolio is dominated by bonds, comprising government bonds (27.5% of financial

investments), financial and policy bank bonds (30.4%) and corporate bonds (13.8%), with the remainder mainly in funds (10.5%), negotiable certificates of deposit (13.3%), and other investments. The Bank has substantially reduced its exposure to non-standard assets, with wealth management, trust and asset management plans declining to 4.4% of financial investments at 30 June 2026. Investment funds are largely allocated to interest rate bonds and interbank certificates of deposit for asset allocation and liquidity management, while corporate bonds are mainly issued by non-private enterprises with high credit quality. Overall, the investment portfolio exhibits a sound safety and liquidity profile, although its large size exposes the Bank to interest rate and valuation risk.

Moderate capitalization constrained by rapid asset growth

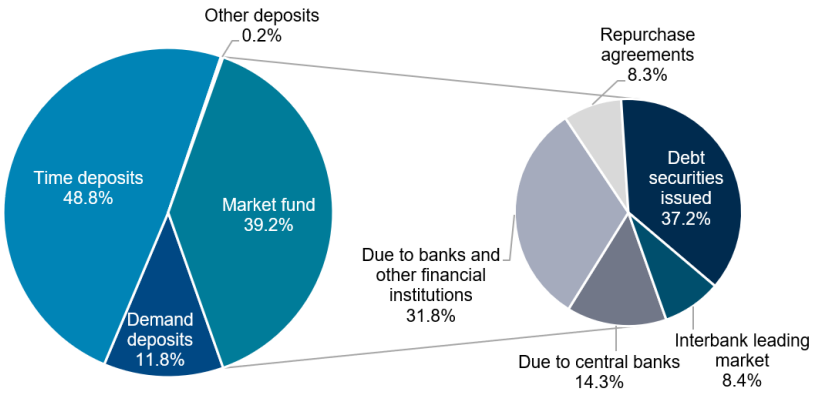
NJBK's capital position is moderate and has been constrained by rapid asset expansion. The core Tier 1 capital adequacy ratio was 9.5% as of 30 September 2026, compared with 9.4% at end-2023 and end-2025, as capital generation broadly kept pace with the growth of risk-weighted assets. The total capital adequacy ratio declined to 12.9% from 13.5% over the same period. The Bank's capitalization remains below that of large state-owned and joint-stock commercial banks, reflecting its riskier asset mix, its significant investment portfolio and its rapid balance sheet growth.

Nevertheless, the Bank has demonstrated effective capital management. As a listed bank, it has diversified capital supplementation channels, including retained earnings and the issuance of perpetual bonds, Tier 2 capital bonds and convertible bonds. The Bank has also met the 0.25% additional capital buffer requirement applicable to D-SIBs. Given the continued double-digit growth of risk-weighted assets, the Bank's capitalization is likely to remain a rating constraint over the medium term.

Relatively high reliance on market-based wholesale funding

NJBK's funding is primarily from customer deposits, interbank funds and bond issuance. As of 30 September 2026, deposits accounted for around 60.5% of total funding. The Bank's deposit base is dominated by time deposits, which accounted for 80.3% of total deposits at 30 September 2026 and represent a more expensive and less sticky funding source than demand deposits, while personal deposits accounted for 37.9% of total deposits. Meanwhile, the Bank has a relatively high reliance on market funding, with the market funding/total assets ratio rising to 35.7% at 30 September 2026 from 29.8% at end-2023. Its market funding is primarily debt securities issued, which accounted for 37.2% of market funding at 30 September 2026, followed by deposits from banks and other financial institutions (31.8%), borrowings from the central bank (14.2%), repurchase agreements (8.3%) and interbank borrowing (8.4%). Market funding is a less stable funding source in stress scenarios and is adversely impacted by the level of market funding usage from other financial institutions. The Bank's loan-to-deposit ratio rose to 86.2% at 30 September 2026 from 80.3% at end-2023, indicating a growing reliance on wholesale funding to support asset growth.

Exhibit 3. NJBK's funding structure as of 30 September 2026



Source: Bank information, CCXAP research

Adequate liquidity supported by high-quality liquid assets

NJBK has adequate liquidity resources. Its liquidity coverage ratio was 154.3% as of 30 September 2026, well above the regulatory minimum of 100%, and its net stable funding ratio was 106.7%. High liquid assets accounted for around 39.7% of total assets at end-2025, up from 31.9% at end-2023, supported by a build-up of government bonds, policy bank bonds and negotiable certificates of deposit. The Bank's liquidity resources are considered high-quality and reliable, as most of them are liquid bond investments and reserves placed with the central bank. That said, the Bank's asset-liability maturity profile is somewhat mismatched, given its relatively long-duration investment portfolio and a high proportion of short-term deposits and interbank funding, which could weigh on its liquidity position in a scenario of acute market stress. As of end-2025, financial assets maturing within one year accounted for 44.6% of the total, while financial liabilities maturing within one year accounted for 76.2%.

External Support

High likelihood to receive government support in times of need

Although NJBK has no controlling shareholder or actual controller, we believe the Bank is likely to receive extraordinary support from the Chinese government, as well as the Jiangsu Provincial Government and the Nanjing Municipal Government, in times of need, given its (1) status as a domestic systemically important bank and one of the five largest city commercial banks in China; (2) systemic importance to the financial system of Jiangsu Province and Nanjing City, one of the most economically significant regions in China; and (3) significant state ownership.

The Bank's designation as a D-SIB reflects its importance to China's financial system. As of 30 September 2026, NJBK's total assets of RMB3.3 trillion ranked among the five largest city commercial banks in China, reinforcing its systemic importance. The Chinese government, the Jiangsu Provincial Government and the Nanjing Municipal Government have strong incentives to maintain the Bank's stability given its critical role in supporting the local real economy. The Bank's primary state-owned shareholders include Jiangsu Communications Holding Co., Ltd. (15.0%), a state-owned enterprise under the Jiangsu Provincial Government, Nanjing Zijin Investment Group Co., Ltd. and its subsidiary Zijin Trust Co., Ltd. (14.1% in aggregate), both under the Nanjing Municipal Government, and Nanjing Gaoke Company Limited (10.0%). These shareholders have continuously increased their stakes and participated in the Bank's capital supplementation. The local governments' economic development strategy closely aligns with the Bank's lending priorities in technology finance, green finance,

inclusive finance and advanced manufacturing. Given its essential role in the region's financial system, we believe NJBK is likely to receive extraordinary support from the government in times of need in the near to medium future.

Rating Methodology

The methodology used in this rating is the Rating Methodology for Banks (November 2021).

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