

## **CCXAP affirms Zhejiang Nanxun Rural Commercial Bank Co., Ltd.'s long-term credit rating at BBB<sub>g</sub>, with stable outlook.**

Hong Kong, 9 September 2025 – China Chengxin (Asia Pacific) Credit Ratings Company Limited (“CCXAP”) has affirmed the long-term credit rating of Zhejiang Nanxun Rural Commercial Bank Co., Ltd. (“NRCB” or the “Bank”) at BBB<sub>g</sub>, with stable outlook.

The BBB<sub>g</sub> long-term credit rating of NRCB is underpinned by the Bank’s (1) strong market franchise in Nanxun District; (2) limited exposure to market funds and solid deposit base; (3) relatively low level of non-performing loan comparing with its peers; and (4) ongoing operating support from Zhejiang Rural Commercial United Bank (“ZRCB”) in terms of business development, risk management and information system configuration.

However, the rating is constrained by the Bank’s (1) squeezing profitability as a result of the narrowing net interest margin and higher credit costs; and (2) asset quality which is sensitive to economic downturns because of its large exposure to small and medium-sized enterprises (“SMEs”) and geographic concentration of loan portfolio.

The rating also incorporates our assumption that the Bank is likely to receive extraordinary support from ZRCB and the government in times of need, given its (1) moderate position in the financial system of Zhejiang Province, with strong franchise in Nanxun District; and (2) track record of receiving support from ZRCB.

### **Corporate Profile**

NRCB was established in 2010 based on the shareholding reform of the former Nanxun Rural Credit Union founded in 1996. It is the first rural commercial bank in Zhejiang Province and is positioned to serve the local economy, SMEs, and urban and rural residents. NRCB has a dominant market position and extensive branch network in Nanxun District, Huzhou City, Zhejiang Province. It ranked first for years in the local banking market, with a market share of 43.9% in deposits and 28.1% in loans as of the end of 2024. NRCB also promotes regional expansion through the development of off-site sub-branches and village banks. It has established a total of 14 village banks in Anhui Province and Zhejiang Province, with the shareholding ratios ranging from 30% to 60%. As of 31 December 2024, NRCB reported total assets of RMB100.1 billion and net assets of RMB8.6 billion.

NRCB is one of the member banks of ZRCB under its monitoring, guidance and supervision. ZRCB is the largest bank in Zhejiang Province, formed under the restructuring of the local rural credit societies in the province in 2022, with a registered capital of approximately RMB5.0 billion.

### **Rating Rationale**

#### **Credit Strengths**

**Strong market franchise in Nanxun District, with an extensive branch network.** NRCB has a strong market franchise in Nanxun District, with an extensive network of more than 40 sub-



branches in the district, covering most of the county and rural areas where other banks do not have large presence, and having close ties with local community. It has ranked first for years in the local banking market with a market share of 43.9% in deposit and 28.1% in loan, as of the end of 2024. The Bank also expands its branch networks to other areas in Zhejiang Province including Huzhou City and Hangzhou City, and has 14 village banks in Anhui and Zhejiang Provinces.

**Limited exposure to market funds and solid deposit base.** NRCB is a deposit-funded bank and has limited exposure to market funds over the past fast five years. NRCB's market funds mainly came from the borrowings from the central bank and debt securities issued. It has limited exposure to the interbank or repurchase agreement business. NRCB's deposit base is solid and growing, underpinned by its strong franchise and branch networks in Nanxun District. The Bank recorded a 9.4% YoY increase in total deposits, totaling RMB82.4 billion by the end of 2024.

**Likely to receive extraordinary support from ZRCB and the government in times of need.** Although NRCB does not have direct nor indirect shareholding from the government, we believe the Bank is likely to receive extraordinary support from ZRCB and the government in times of need, given its (1) moderate position in the financial system of Zhejiang Province, with strong franchise in Nanxun District; and (2) track record of receiving support from ZRCB.

### Credit Challenges

**Profitability challenged by the narrowing net interest margin and higher credit cost.** The Bank's profitability is challenged by the narrowing net interest margin and higher credit costs. Its net interest margin is likely to trend slightly lower because of the loan prime rate reform and lowering loan pricing yields to support the real economy. NRCB is also facing swelling credit costs. We expect that the advancement of interest rate liberalization, policy requirements for fee reductions and profit concessions, and intensified peer competition may put further downward pressure on net interest margins, thereby affecting the Bank's profitability stability and sustainability.

**Low but rising non-performing loan ratio amid economic downturn pressures.** NRCB's non-performing loan ratio has remained low at under 1% over the past five years. However, in 2024, the volatility of macroeconomic conditions in key local industries, such as trade and manufacturing, led to an increase in non-performing loans among SMEs and individual business households. In addition, the Bank introduced loan renewal service without principal repayment. Nevertheless, NRCB's high non-performing coverage ratio, decreasing loan exposure to individual customers, and the region's robust economy, are expected to alleviate its asset risk.

### Rating Outlook

The stable outlook on NRCB's rating reflects our expectation that the business and financial profile of the Bank will be stable, and the Bank will maintain its important market position in Nanxun District over the next 12 to 18 months.

**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 constantly, such as improved profitability and sustainability or enhanced funding access.

**What could downgrade the rating?**

The rating could be downgraded if (1) the likelihood of receiving government support declines; (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 significantly, such as declined asset quality or severely weakened liquidity.

**Rating Methodology**

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

**Regulatory Disclosures**

CCXAP's Rating Symbols and Definitions are available on its website at:

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