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CZBANK  **浙商银行**

CHINA ZHESHANG BANK CO., LTD.

浙商银行股份有限公司

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

(Stock Code: 2016)

THIRD QUARTERLY REPORT OF 2022

Pursuant to the regulations of the China Securities Regulatory Commission, the Company is required to publish a quarterly report for each of the first and third quarter.

The financial information set out in this quarterly report is unaudited and prepared in accordance with the International Financial Reporting Standards.

This announcement is made by the Company pursuant to Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

1 Important Notice

- 1.1 The Board of Directors, the Board of Supervisors, Directors, Supervisors and Senior Management of the Company warrant that the contents in this report are true, accurate and complete and have no false representations, misleading statements or material omissions, and they will take legal responsibilities for such contents on a joint and several basis.
- 1.2 The ninth extraordinary meeting of the sixth session of the Board of Directors of the Company in 2022, held by written resolutions on October 28, 2022, considered and approved the Third Quarterly Report of 2022 of the Company.
- 1.3 The financial statements set out in this report are prepared in accordance with the International Financial Reporting Standards and is unaudited. The unaudited quarterly report of the Company prepared in accordance with the Chinese Accounting Standards has been published on the website of the Shanghai Stock Exchange. Unless otherwise illustrated, the financial statements herein are consolidated information of the Group and the presentation currency of such information is RMB.
- 1.4 Any of “CZBank”, the “Company” and the “Bank” in this report refers to China Zheshang Bank Co., Ltd. The “Group” refers to China Zheshang Bank Co., Ltd. and its subsidiaries.
- 1.5 Zhang Rongsen (the President of the Bank, acting as Chairman) and Jing Feng (Principal in charge of Finance and Director of the Financial Department) warrant that the financial report in this report is true, accurate and complete.

2 General Information

2.1 Key Accounting Information and Financial Indicators

RMB million, excluding %

	September 30 2022	December 31, 2021	Increase (Decrease) as Compared to the End of Last Year (%)
Scale indicators			
Total assets	2,543,151	2,286,723	11.21
Total loans and advances to customers	1,506,280	1,347,239	11.80
Total liabilities	2,380,346	2,119,840	12.29
Customer deposits	1,721,516	1,415,705	21.60
Equity attributable to shareholders of the Bank	159,892	164,169	(2.61)
Net assets per share at the end of the period attributable to shareholders of the Bank (RMB)	6.34	5.84	8.56

RMB million, excluding %

	January – September 2022	January – September 2021	Increase (Decrease) as Compared to the Corresponding Period of Last Year (%)
Operating results			
Operating income	47,784	40,483	18.03
Profit before taxation	14,133	12,613	12.05
Net profit attributable to shareholders of the Bank	11,537	10,578	9.07
Basic earnings per share attributable to shareholders of the Bank (RMB)	0.50	0.46	8.70
Diluted earnings per share attributable to shareholders of the Bank (RMB)	0.50	0.46	8.70

	January – September 2022	January – September 2021	Increase (Decrease) as Compared to the Corresponding Period of Last Year
Profitability indicators			
Return on average total assets (annualized) (%)	0.65	0.68	Decrease by 0.03 percentage point
Return on average equity (annualized) (%)	11.23	11.14	Increase by 0.09 percentage point
Net non-interest income to operating income (%)	25.84	23.48	Increase by 2.36 percentage points
Cost-to-income ratio (%)	25.14	25.30	Decrease by 0.16 percentage point

2.2 Capital Adequacy Ratio

The indicators of capital adequacy ratio as at the end of the reporting period calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial) (CBRC Order No.1 of 2012) 《商業銀行資本管理辦法(試行)》(中國銀監會令 2012 年第 1 號)) are set out as below:

RMB million, excluding %

	September 30, 2022		December 31, 2021	
	The Group	The Bank	The Group	The Bank
Net core tier-one capital	132,779	127,892	122,602	118,229
Net tier-one capital	158,018	152,887	162,826	158,182
Net capital base	192,456	185,704	194,356	188,329
Minimum capital requirement (%)	8.00	8.00	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50	2.50	2.50
Additional capital requirement (%)	–	–	–	–
Core tier-one capital adequacy ratio (%)	8.05	8.00	8.13	8.08
Tier-one capital adequacy ratio (%)	9.58	9.57	10.80	10.81
Capital adequacy ratio (%)	11.67	11.62	12.89	12.87

2.3 Leverage Ratio

The indicators of leverage ratio as at the end of the reporting period calculated in accordance with the Administrative Measures for the Leverage Ratio of Commercial Banks (Revision) (CBRC Order No.1 of 2015) 《商業銀行槓桿率管理辦法(修訂)》(中國銀監會令 2015 年第 1 號)) are set out as below:

RMB million, excluding %

	September 30, 2022	June 30, 2022	March 31, 2022	December 31, 2021
The Group				
Net tier-one capital	158,018	153,800	152,483	162,826
Adjusted asset balance inside and outside the balance sheet	3,097,920	3,091,695	3,010,095	2,747,016
Leverage ratio (%)	5.10	4.97	5.07	5.93

2.4 Information on Liquidity Coverage Ratio

The indicators of liquidity coverage ratio calculated in accordance with the Administrative Measures for the Liquidity Risk of Commercial Banks (CBRC Order No.3 of 2018) 《商業銀行流動性風險管理辦法》(中國銀監會令 2018 年第 3 號)) are set out as below:

RMB million, excluding %

The Group	September 30, 2022	December 31, 2021
Liquidity coverage ratio (%)	126.37	163.50
High quality liquid assets	261,910	254,379
Net cash outflows over the next 30 days	207,257	155,587

2.5 Explanation of Differences Between Financial Statements Prepared under Domestic and International Accounting Policies

The net profit attributable to shareholders of the Bank for the reporting period ended September 30, 2022 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the Chinese Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Standards.

2.6 Shareholders

2.6.1 As of the end of the reporting period, the table of total number of shareholders, the shareholdings of the top ten shareholders and top ten shareholders of circulating shares (or shareholders without selling restrictions) was as follows:

Unit: share, excluding %

Name of Shareholder	Shareholdings of Top Ten Shareholders					
	Number of Shares Held at the End of the Period	Proportion (%)	Number of Shares Held Subject to Selling Restrictions	Pledge, Marked or Frozen Status of Shares	Number	Nature of Shareholders
Total Number of Shareholders	245,004					
HKSCC Nominees Limited	4,553,743,800	21.41	-	Unknown ^(Note)	-	-
Zhejiang Provincial Financial Holdings Co., Ltd.	2,655,443,774	12.49	2,655,443,774	-	-	State-owned legal person
Traveller Automobile Group Co., Ltd.	1,346,936,645	6.33	1,346,936,645	Frozen	1,346,936,645	Domestic non-state owned legal person
Hengdian Group Holdings Limited	1,242,724,913	5.84	1,242,724,913	-	-	Domestic non-state owned legal person
Zhejiang Provincial Energy Group Co., Ltd.	841,177,752	3.96	841,177,752	-	-	State-owned legal person
Minsheng Life Insurance Company Ltd. - self-owned capital	803,226,036	3.78	-	-	-	Domestic non-state owned legal person
Zhejiang Yongli Industry Group Co., Ltd.	548,453,371	2.58	-	Pledge	548,453,371	Domestic non-state owned legal person
Tong Lian Capital Management Co., Ltd.	543,710,609	2.56	543,710,609	-	-	Domestic non-state owned legal person
Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	2.39	508,069,283	Pledge	508,069,283	Domestic non-state owned legal person
Zhejiang Hengyi Group Co., Ltd.	494,655,630	2.33	494,655,630	Pledge	494,655,630	Domestic non-state owned legal person

Shareholdings of Top Ten Shareholders without Selling Restrictions

Name of Shareholder	Number of Circulating Shares Held without Selling Restrictions	Class and Number of Shares	
		Class	Number
HKSCC Nominees Limited	4,553,743,800	H Shares	4,553,743,800
Minsheng Life Insurance Company Ltd. – self-owned capital	803,226,036	A Shares	803,226,036
Zhejiang Yongli Industry Group Co., Ltd.	548,453,371	A Shares	548,453,371
Jinggong Group Co., Ltd.	454,403,329	A Shares	454,403,329
Lizi Industry Group Co., Ltd.	380,292,205	A Shares	380,292,205
Zhejiang China Light & Textile Industrial City Group Co., Ltd.	339,211,274	A Shares	339,211,274
Shaoxing City Keqiao District Development and Operation Group Co., Ltd.	302,993,318	A Shares	302,993,318
Aeon Life Insurance Co., Ltd. – traditional insurance products	261,197,903	A Shares	261,197,903
Hong Kong Securities Clearing Company Limited	239,248,227	A Shares	239,248,227
Zhejiang Huatong Holding Group Co., Ltd.	206,136,242	A Shares	206,136,242
Description on the connected relationship and action in concert of the shareholders above	To the best knowledge of the Company, Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a connected relationship, and so as Zhejiang China Light & Textile Industrial City Group Co., Ltd. and Shaoxing City Keqiao District Development and Operation Group Co., Ltd.. Apart from that, the Company was not aware of other connected relationship between the above shareholders or whether they were parties acting in concert.		
Description on the participation of the top 10 shareholders and the top 10 shareholders without selling restrictions in margin financing and securities lending as well as margin and securities refinancing business	To the best knowledge of the Company, as of September 30, 2022, Zhejiang China Light & Textile Industrial City Group Co., Ltd. (shareholder) engages in securities refinancing and lending business through CITIC Securities, with 118,605,600 shares of the Company being lent. Though these shares are not registered under the name of Zhejiang China Light & Textile Industrial City Group Co., Ltd. during the period of lending, there is no transfer of ownership.		

Note: The number of shares held by HKSCC Nominees Limited was the sum of shares of the Company's holders of H shares which were trading in its transaction system. The number of shares held by Hong Kong Securities Clearing Company Limited, as a nominee holder, was the sum of A Shares (shares under Shanghai Connect) designated by and held on behalf of Hong Kong and overseas investors in their capacity. Whether the H Shares were pledged was unknown to the Company.

2.6.2 The total number of preference shareholders and their shareholdings as of the end of the reporting period

During the reporting period, the Company did not have any restoration of voting rights of preference shares; the Company redeemed all of its US\$2.175 billion Offshore Preference Shares on March 29, 2022. As of the end of the reporting period, the Company had no existing preference shares.

3 Operation Performance of the Third Quarter

The scale of businesses had a steady growth. As at the end of the reporting period, total assets of the Group amounted to RMB2,543.151 billion, representing an increase of RMB256.428 billion or 11.21% as compared to that at the end of last year, of which total loans and advances to customers amounted to RMB1,506.280 billion, representing an increase of RMB159.041 billion or 11.80% as compared to that at the end of last year. Total liabilities amounted to RMB2,380.346 billion, representing an increase of RMB260.506 billion or 12.29% as compared to that at the end of last year, of which customer deposits amounted to RMB1,721.516 billion, representing an increase of RMB305.811 billion or 21.60% as compared to that at the end of last year.

The operating profitability saw a positive trend. During the reporting period, operating income of the Group amounted to RMB47.784 billion, representing an increase of RMB7.301 billion or 18.03% as compared to the corresponding period of last year, of which net interest income amounted to RMB35.437 billion, representing an increase of RMB4.459 billion or 14.39% as compared to the corresponding period of last year, net interest spread was 2.06%, representing a decrease of 0.02 percentage point as compared to the corresponding period of last year, and net non-interest income amounted to RMB12.347 billion, representing an increase of RMB2.842 billion or 29.90% as compared to the corresponding period of last year. Net non-interest income to operating income was 25.84%, representing an increase of 2.36 percentage points as compared to the corresponding period of last year. Cost-to-income ratio was 25.14%, representing a decrease of 0.16 percentage point as compared to the corresponding period of last year. Net profit attributable to shareholders of the Bank amounted to RMB11.537 billion, representing an increase of RMB959 million or 9.07% as compared to the corresponding period of last year.

The quality of asset remained steady. As at the end of the reporting period, the non-performing loan balance of the Group was RMB22.139 billion, representing an increase of RMB1.472 billion or 7.12% as compared to that at the end of last year; the non-performing loan ratio was 1.47%, representing a decrease of 0.06 percentage point as compared to that at the end of last year; allowance to non-performing loans ratio was 181.21%, representing an increase of 6.60 percentage points as compared to that at the end of last year; the allowance to total loans ratio was 2.66%, representing a decrease of 0.02 percentage point as compared to that at the end of last year.

Capital adequacy ratio remained at a reasonable level. As at the end of the reporting period, the capital adequacy ratio of the Group was 11.67%, representing a decrease of 1.22 percentage points as compared to that at the end of last year. The tier-one capital adequacy ratio was 9.58%, representing a decrease of 1.22 percentage points as compared to that at the end of last year, and the core tier-one capital adequacy ratio was 8.05%, representing a decrease of 0.08 percentage point as compared to that at the end of last year.

4 Significant Events

4.1 Significant Changes in Key Financial Data and Financial Indicators and Reasons

Applicable Not applicable

The following major items in the consolidated financial statements recorded an increase/decrease of over 30% due to the following reasons:

RMB million, excluding %

Name of Items	January-September 2022	January-September 2021	Period-on-Period Increase (Decrease) (%)	Main reasons for the changes during the reporting period
Net cash flows generated from/ (used in) operating activities	123,088	(30,303)	-	Increase in cash inflow from customer deposits, and increase in cash outflow for loans and advances to customers

4.2 Other Key Information regarding the Company's Operation Performance during the Reporting Period which should be brought to the Attention of the Investors

Applicable Not applicable

5 Appendix

The financial statements prepared in accordance with the International Financial Reporting Standards set out in Appendix I to this report.

By order of the Board
China Zheshang Bank Co., Ltd.
Zhang Rongsen
Executive Director, President of the Bank

Hangzhou, the PRC
October 28, 2022

As at the date of this announcement, the executive directors of the Bank are Mr. Zhang Rongsen, Ms. Ma Hong and Mr. Chen Haiqiang; the non-executive directors are Mr. Hou Xingchuan, Mr. Ren Zhixiang, Ms. Gao Qinhong, Mr. Hu Tiangao, and Mr. Zhu Weiming; the independent non-executive directors are Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei and Mr. Xu Yongbin.

Appendix 1

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

(In RMB millions, unless otherwise stated)

	For nine months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
Interest income	75,930	68,444
Interest expense	(40,493)	(37,466)
NET INTEREST INCOME	35,437	30,978
Fee and commission income	4,300	3,502
Fee and commission expense	(551)	(504)
NET FEE AND COMMISSION INCOME	3,749	2,998
Net trading gains	6,270	5,309
Net gains on financial investments	1,898	826
Other operating income	430	372
OPERATING INCOME	47,784	40,483
Operating expenses	(12,501)	(10,879)
Expected credit losses	(21,150)	(16,991)
PROFIT BEFORE TAXATION	14,133	12,613
Income tax expense	(2,309)	(1,803)
PROFIT FOR THE PERIOD	11,824	10,810
Attributable to:		
Shareholders of the Bank	11,537	10,578
Non-controlling interests	287	232

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

(In RMB millions, unless otherwise stated)

	For nine months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
Other comprehensive income, net of tax		
Items that will not be reclassified to profit or loss		
Changes in the fair value of financial investments designated to be measured at fair value through other comprehensive income	10	(7)
Items that may be reclassified to profit or loss:		
Changes in the fair value of financial assets measured at fair value through other comprehensive income	(2,001)	655
Allowance for ECLs of financial assets at fair value through other comprehensive income	698	(56)
Exchange difference from the translation of foreign operations	1,004	(251)
Other comprehensive income, net of tax	(289)	341
Total comprehensive income	11,535	11,151
Total comprehensive income attributable to:		
Shareholders of the Bank	11,248	10,919
Non-controlling interests	287	232
Earnings per share attributable to the shareholders of the Bank		
Basic (RMB yuan)	0.50	0.46
Diluted (RMB yuan)	0.50	0.46

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2022

(In RMB millions, unless otherwise stated)

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS		
Cash and balances with the central bank	155,987	141,510
Precious metals	4,606	5,899
Deposits with banks and other financial institutions	50,125	39,391
Placements with banks and other financial institutions	9,560	12,762
Derivative financial assets	24,094	14,264
Financial assets purchased under resale agreements	34,823	22,352
Loans and advances to customers	1,467,483	1,311,889
Financial investments		
– Financial assets measured at fair value through profit or loss	184,116	179,197
– Financial assets measured at amortized cost	332,300	374,558
– Financial assets measured at fair value through other comprehensive income	181,148	98,067
Fixed assets	15,466	14,665
Right-of-use assets	4,707	4,670
Intangible assets	556	486
Deferred tax assets	21,070	18,077
Other assets	57,110	48,936
TOTAL ASSETS	2,543,151	2,286,723
LIABILITIES		
Due to the central bank	66,236	50,990
Deposits from banks and other financial institutions	185,043	236,976
Placements from banks and other financial institutions	57,189	41,021
Financial liabilities at fair value through profit or loss	11,439	12,512
Derivative financial liabilities	24,430	13,162
Financial assets sold under repurchase agreements	1,302	–
Customer deposits	1,721,516	1,415,705
Employee benefits payable	4,568	5,278
Tax payable	5,309	5,531
Provisions	5,175	4,952
Debt securities issued	278,705	318,908
Lease liabilities	3,027	2,926
Other liabilities	16,407	11,879
TOTAL LIABILITIES	2,380,346	2,119,840

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)****AT 30 SEPTEMBER 2022***(In RMB millions, unless otherwise stated)*

	30 September 2022 (Unaudited)	31 December 2021 (Audited)
EQUITY		
Share capital	21,269	21,269
Other equity instruments	24,995	39,953
Among which: Preference shares	–	14,958
Perpetual bonds	24,995	24,995
Capital reserve	32,289	32,018
Other comprehensive income	268	557
Surplus reserve	9,743	9,743
Statutory general reserve	26,386	23,802
Retained earnings	44,942	36,827
Total equity attributable to shareholders of the Bank	159,892	164,169
Non-controlling interests	2,913	2,714
TOTAL EQUITY	162,805	166,883
TOTAL LIABILITIES AND EQUITY	2,543,151	2,286,723

The condensed consolidated financial statements were approved by the Board of Directors on October 28 2022.

Zhang Rongsen
(Perform the duties of chairman and
legal representative on behalf)
Executive Director, President

Jing Feng
Principal in-charge of Finance,
Chief Finance Officer

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

(In RMB millions, unless otherwise stated)

	For nine months ended	
	2022	2021
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Profit before taxation	14,133	12,613
Adjustments for:		
Expected credit losses	21,150	16,991
Depreciation and amortization	1,374	1,247
Interest income from financial investments	(13,639)	(12,430)
Net investment income	(5,731)	(1,640)
Net losses/(gains) from changes in fair value	1,484	(1,977)
Net foreign exchange gains	340	84
Net (gains)/losses on disposal of fixed assets	(4)	1
Interest expense on debt securities issued	6,665	6,224
Interest expense on lease liabilities	103	105
Deferred tax expense	(2,563)	(2,744)
Net changes in operating assets and operating liabilities:		
Net (increase)/decrease in balances with the central bank	(21,421)	4,802
Net increase in deposits with banks and other financial institutions	(19,216)	(4,979)
Net (increase)/decrease in placements with banks and other financial institutions	(6,493)	2,117
Net decrease/(increase) in financial assets purchased under resale agreements	1,043	(4,579)
Net increase in loans and advances to customers	(164,413)	(119,957)
Net decrease/(increase) in financial assets held for trading	28,274	(35,475)
Net decrease in other operating assets	6,979	14,232
Net increase/(decrease) in due to the central bank	14,496	(4,982)
Net (decrease)/increase in deposits from banks and other financial institutions	(51,316)	67,189
Net increase/(decrease) in placements from banks and other financial institutions	15,931	(3,115)
Net increase in financial assets sold under repurchase agreements	345	21,850
Net increase in customer deposits	301,143	24,323
Net decrease in other operating liabilities	(1,805)	(4,107)
Net cash flows generated from/(used in) operating activities before tax	126,859	(24,207)
Income tax paid	(3,771)	(6,096)
Net cash generated from/(used in) operating activities	123,088	(30,303)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

(In RMB millions, unless otherwise stated)

	For nine months ended	
	2022	2021
	(Unaudited)	(Unaudited)
Cash flows from investing activities:		
Proceeds from dividend	–	3
Proceeds from disposal of fixed assets, intangible assets and other long-term assets	199	26
Payment for acquisition of fixed assets, intangible assets and other long-term assets	(4,861)	(988)
Investment returns received	19,196	14,900
Proceeds from disposal of investments	928,460	1,605,759
Payment for acquisition of investments	(1,015,121)	(1,652,491)
Net cash used in investing activities	(72,127)	(32,791)
Cash flows from financing activities:		
Proceeds from issuance of debt securities	232,388	335,412
Repayment of matured debt	(273,521)	(309,597)
Repayment of interest on debt securities issued	(6,825)	(10,991)
Payment for dividend distribution	(1,007)	(858)
Payment for redemption of equity instrument	(14,687)	–
Payment for principal and interest element of lease liabilities	(551)	(513)
Net cash (used in)/generated from financing activities	(64,203)	13,453
Effect of exchange rate changes on cash and cash equivalents	1,831	(325)
Net decrease in cash and cash equivalents	(11,411)	(49,966)
Cash and cash equivalents at the beginning of the period	90,825	112,121
Cash and cash equivalents at the end of the period	79,414	62,155
Net cash flows from operating activities include:		
Interest received	60,893	56,160
Interest paid	(27,739)	(30,651)