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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)

FIRST 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 fifth extraordinary meeting of the sixth session of the Board of Directors of the Company in 2022, held by written solutions on April 25, 2022, considered and approved the First 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 China Accounting Standards has been published on the website of 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), Liu Long (Principal in charge of Finance) and Jing Feng (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 %

	March 31, 2022	December 31, 2021	Increase (Decrease) as Compared to the End of Last Year (%)
Scale indicators			
Total assets	2,481,669	2,286,723	8.53
Total loans and advances to customers	1,427,251	1,347,239	5.94
Total liabilities	2,325,368	2,119,840	9.70
Customer deposits	1,514,411	1,415,705	6.97
Equity attributable to shareholders of the Bank	153,483	164,169	(6.51)
Net assets per share at the end of the period (RMB yuan/share)	6.04	5.84	3.42

RMB million, excluding %

	January- March 2022	January- March 2021	Increase (Decrease) as Compared to the Corresponding Period of Last Year (%)
Operating results			
Operating income	15,413	13,024	18.34
Profit before taxation	6,124	5,821	5.21
Net profit attributable to shareholders of the Bank	5,118	4,576	11.84
Basic earnings per share (RMB yuan/share)	0.20	0.17	17.65
Diluted earnings per share (RMB yuan/share)	0.20	0.17	17.65

	January- March 2022	January- March 2021	Increase/Decrease as Compared to the Corresponding Period of Last Year
Profitability indicators			
Return on average total assets (annualized) (%)	0.88	0.91	Decrease by 0.03 percentage point
Return on average net assets (annualized) (%)	15.54	14.86	Increase by 0.68 percentage point
Net non-interest income to operating income (%)	25.40	22.70	Increase by 2.70 percentage points
Cost-to-income ratio (%)	23.84	25.18	Decrease by 1.34 percentage points

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 %

	March 31, 2022		December 31, 2021	
	The Group	The Bank	The Group	The Bank
Net core tier-one capital	127,096	122,602	122,602	118,229
Net tier-one capital	152,483	147,597	162,826	158,182
Net capital	185,343	179,056	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	8.01	8.13	8.08
Tier-one capital adequacy ratio (%)	9.66	9.64	10.08	10.81
Capital adequacy ratio (%)	11.74	11.70	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 %

	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021
The Group				
Net tier-one capital	152,483	162,826	135,592	131,244
Adjusted asset balance inside and outside the balance sheet	3,010,095	2,747,016	2,604,657	2,562,779
Leverage ratio (%)	5.07	5.93	5.21	5.12

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	March 31, 2022	December 31, 2021
Liquidity coverage ratio (%)	134.97	163.50
High quality liquid assets	266,142	254,379
Net cash outflows over the next 30 days	197,185	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 March 31, 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 China 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		Pledge, Marked or Frozen		Nature of Shareholders
	Number of Shares Held at the End of the Period	Proportion (%)	Number of Shares Held Subject to Selling Restrictions	Status of Shares	
Total Number of Shareholders	257,217				
HKSCC Nominees Limited	4,553,782,800	21.41	-	Unknown ^(Note)	-
Zhejiang Provincial Financial Holdings Co., Ltd.	2,655,443,774	12.49	2,655,443,774	-	-
Traveller Automobile Group Co., Ltd.	1,346,936,645	6.33	1,346,936,645	Frozen	1,346,936,645
Hengdian Group Holdings Limited	1,242,724,913	5.84	1,242,724,913	-	-
Zhejiang Provincial Energy Group Co., Ltd.	841,177,752	3.96	841,177,752	-	-
Minsheng Life Insurance Company Ltd. - self-owned capital	803,226,036	3.78	-	-	-
Zhejiang Yongli Industry Group Co., Ltd.	548,453,371	2.58	-	Pledge	548,453,371
Tong Lian Capital Management Co., Ltd.	543,710,609	2.56	543,710,609	-	-
Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	2.39	508,069,283	Pledge	508,069,283
Zhejiang Hengyi Group Co., Ltd.	494,655,630	2.33	494,655,630	Pledge	494,655,630

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	4,553,782,800	H Shares	4,553,782,800
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
Zhejiang China Light & Textile Industrial City Group Co., Ltd.	456,820,874	A Shares	456,820,874
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
Shaoxing City Keqiao District Development and Operation Group Co., Ltd.	302,993,318	A Shares	302,993,318
Zhejiang RIFA Holding Group Co., Ltd.	213,470,000	A Shares	213,470,000
Zhejiang Huatong Holding Group Co., Ltd.	206,136,242	A Shares	206,136,242
Zhejiang Xin'ao Industry Co., Ltd.	186,278,473	A Shares	186,278,473
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 March 31, 2022, Zhejiang China Light & Textile Industrial City Group Co., Ltd. (shareholder) engages in securities refinancing and lending business through CITIC Securities, with 996,000 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, and whether the H Shares were pledged was unknown to the Bank.

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 First Quarter

The scale of businesses had a steady growth. As at the end of the reporting period, total assets of the Group amounted to RMB2,481.669 billion, representing an increase of RMB194.946 billion or 8.53% as compared to that at the end of last year, of which total loans and advances to customers amounted to RMB1,427.251 billion, representing an increase of RMB80.012 billion or 5.94% as compared to that at the end of last year. Total liabilities amounted to RMB2,325.368 billion, representing an increase of RMB205.528 billion or 9.70% as compared to that at the end of last year, of which customer deposits amounted to RMB1,514.411 billion, representing an increase of RMB98.706 billion or 6.97% 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 RMB15.413 billion, representing an increase of RMB2.389 billion or 18.34% as compared to the corresponding period of last year, of which net interest income amounted to RMB11.498 billion, representing an increase of RMB1.430 billion or 14.20% as compared to the corresponding period of last year, net interest spread was 2.11%, representing an increase of 0.01 percentage point as compared to the corresponding period of last year, and net non-interest income amounted to RMB3.915 billion, representing an increase of RMB959 million or 32.44% as compared to the corresponding period of last year. Net non-interest income to operating income was 25.40%, representing an increase of 2.70 percentage points as compared to the corresponding period of last year. Cost-to-income ratio was 23.84%, representing a decrease of 1.34 percentage points as compared to the corresponding period of last year. Net profit attributable to shareholders of the Bank amounted to RMB5.118 billion, representing an increase of RMB542 million or 11.84% 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 RMB21.812 billion, representing an increase of RMB1.145 billion or 5.54% as compared to that at the end of last year; the non-performing loan ratio was 1.53%, which was the same as compared to that at the end of last year; allowance to non-performing loans ratio was 177.26%, representing an increase of 2.65 percentage points as compared to that at the end of last year; the allowance to total loans ratio was 2.71%, representing an increase of 0.03 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 11.74%, representing a decrease of 1.15 percentage points as compared to that at the end of last year. The tier-one capital adequacy ratio was 9.66%, representing a decrease of 1.14 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	March 31, 2022	December 31, 2021	Increase (Decrease) as Compared to the End of Last Year (%)	Main reasons for the changes during the reporting period
Precious metals	8,716	5,899	47.75	Increase in the scale of trading precious metals
Placements with banks and other financial institutions	2,810	12,762	(77.98)	Decrease in the scale of funds financed through placements with banks and other financial institutions
Financial assets purchased under resale agreements	93,171	22,352	316.84	Increase in the scale of bonds purchased under resale agreements
Financial assets measured at fair value through other comprehensive income	149,688	98,067	52.64	Increase in the scale of bond investments measured at fair value through other comprehensive income
Other equity instruments	24,995	39,953	(37.44)	Redemption of offshore preference shares

Name of Items	January- March 2022	January- March 2021	Year-on-year Increase (Decrease) (%)	Main reasons for the changes during the reporting period
Fee and commission income	1,545	1,180	30.93	Increase in fees for guaranteed commitment business
Net gains on financial investments	461	172	168.02	Increase in gains arising from financial asset investments
Expected credit losses	(5,455)	(3,773)	44.58	Rising credit impairment losses on loans and advances and financial investments
Net cash flows generated from/(used in) operating activities	48,348	(70,128)	-	Increase in cash inflow from operating activities and decrease in cash outflow
Net cash flows generated (used in)/from investing activities	(38,556)	7,063	(645.89)	Decrease in cash received for investment recovery and increase in cash paid for investment

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
April 25, 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 THREE MONTHS ENDED 31 MARCH 2022

(In RMB millions, unless otherwise stated)

	For three months ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Interest income	24,484	22,307
Interest expense	(12,986)	(12,239)
NET INTEREST INCOME	11,498	10,068
Fee and commission income	1,545	1,180
Fee and commission expense	(171)	(148)
NET FEE AND COMMISSION INCOME	1,374	1,032
Net trading gains	1,972	1,644
Net gains on financial investments	461	172
Other operating income	108	108
OPERATING INCOME	15,413	13,024
Operating expenses	(3,834)	(3,430)
Expected credit losses	(5,455)	(3,773)
PROFIT BEFORE TAXATION	6,124	5,821
Income tax expense	(902)	(1,164)
PROFIT FOR THE PERIOD	5,222	4,657
Attributable to:		
Shareholders of the Bank	5,118	4,576
Non-controlling interests	104	81

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

FOR THE THREE MONTHS ENDED 31 MARCH 2022

(In RMB millions, unless otherwise stated)

	For three months ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Other comprehensive income		
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	(769)	164
Expected credit losses of financial assets at fair value through other comprehensive income	322	(232)
Exchange difference from the translation of foreign operations	258	39
Other comprehensive income, net of tax	(189)	(29)
Total comprehensive income	5,033	4,628
Attributable to:		
Shareholders of the Bank	4,929	4,547
Non-controlling interests	104	81
Earnings per share attributable to the shareholders of the Bank		
Basic earnings per share (RMB yuan/share)	0.20	0.17
Diluted earnings per share (RMB yuan/share)	0.20	0.17

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2022

(In RMB millions, unless otherwise stated)

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS		
Cash and balances with the central bank	142,642	141,510
Precious metals	8,716	5,899
Deposits with banks and other financial institutions	40,813	39,391
Placements with banks and other financial institutions	2,810	12,762
Derivative financial assets	13,877	14,264
Financial assets purchased under resale agreements	93,171	22,352
Loans and advances to customers	1,389,673	1,311,889
Financial investments		
– Financial assets measured at fair value through profit or loss	192,880	179,197
– Financial assets measured at amortized cost	351,080	374,558
– Financial assets measured at fair value through other comprehensive income	149,688	98,067
Fixed assets	14,614	14,665
Right-of-use assets	4,695	4,670
Intangible assets	491	486
Deferred tax assets	19,556	18,077
Other assets	56,963	48,936
TOTAL ASSETS	2,481,669	2,286,723
LIABILITIES		
Due to central bank	54,564	50,990
Deposits from banks and other financial institutions	269,979	236,976
Placements from banks and other financial institutions	48,862	41,021
Financial liabilities at fair value through profit or loss	15,702	12,512
Derivative financial liabilities	13,891	13,162
Financial assets sold under purchase agreements	2,545	–
Customer deposits	1,514,411	1,415,705
Employee benefits payable	3,513	5,278
Tax payable	5,301	5,531
Provision	4,965	4,952
Debt securities issued	375,633	318,908
Lease liabilities	2,945	2,926
Other liabilities	13,057	11,879
TOTAL LIABILITIES	2,325,368	2,119,840

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

AT 31 MARCH 2022

(In RMB millions, unless otherwise stated)

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
EQUITY		
Share capital	21,269	21,269
Other equity instruments	24,995	39,953
Capital reserve	32,199	32,018
Other comprehensive income	368	557
Surplus reserve	9,743	9,743
Statutory general reserve	23,802	23,802
Retained earnings	41,107	36,827
Total equity attributable to shareholders of the Bank	153,483	164,169
Non-controlling interests	2,818	2,714
TOTAL EQUITY	156,301	166,883
TOTAL LIABILITIES AND EQUITY	2,481,669	2,286,723

The condensed consolidated financial statements were approved by the board of directors on April 25 2022.

Zhang Rongsen
President

Liu Long
Principal in-charge of Finance

Jing Feng
Chief Finance Officer

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE THREE MONTHS ENDED 31 MARCH 2022

(In RMB millions, unless otherwise stated)

	For three months ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Cash flows from operating activities:		
Profit before taxation	6,124	5,821
Adjustments for:		
Expected credit losses	5,455	3,773
Depreciation and amortization	431	411
Interest income from financial investments	(4,316)	(3,918)
Net investment income	(1,831)	(136)
Net losses/(gains) from changes in fair value	1,182	(1,079)
Net foreign exchange losses/(gains)	363	(6)
Interest expense on debt securities issued	2,344	1,982
Interest expense on lease liabilities	35	37
Deferred tax expense	(1,331)	(337)
Net changes in operating assets and operating liabilities:		
Net (increase)/decrease in balances with the central bank	(4,207)	7,082
Net increase in deposits with banks and other financial institutions	(5,060)	(999)
Net decrease in placements with banks and other financial institutions	437	125
Net increase in financial assets purchased under resale agreements	(6,362)	(98)
Net increase in loans and advances to customers	(80,565)	(48,709)
Net decrease/(increase) in financial assets held for trading	3,471	(164)
Net (increase)/decrease in other operating assets	(1,071)	9,737
Net increase/(decrease) in due to the central bank	3,339	(29,609)
Net increase in deposits from banks and other financial institutions	33,008	26,844
Net increase/(decrease) in placements from banks and other financial institutions	7,831	(7,730)
Net increase in financial assets sold under repurchase agreements	2,104	31,993
Net increase/(decrease) in customer deposits	97,174	(62,623)
Net decrease in other operating liabilities	(9,742)	(2,093)
Net cash flows generated/(used in) from operating activities before tax	48,813	(69,696)
Income tax paid	(465)	(432)
Net cash generated/(used in) from operating activities	48,348	(70,128)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE THREE MONTHS ENDED 31 MARCH 2022

(In RMB millions, unless otherwise stated)

	For three months ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Cash flows from investing activities:		
Proceeds from disposal of fixed assets, intangible assets and other long-term assets	55	12
Payment for acquisition of fixed assets, intangible assets and other long-term assets	(276)	(199)
Investment returns received	6,704	4,696
Proceeds from disposal of investments	334,542	371,748
Payment for acquisition of investments	(379,581)	(369,194)
Net cash (used in)/generated investing activities	(38,556)	7,063
Cash flows from financing activities:		
Proceeds from issuance of debt securities	103,796	130,442
Repayment of matured debt	(47,236)	(82,960)
Repayment of interest on debt securities issued	(2,178)	(2,313)
Payment for dividend distribution	(843)	(858)
Payment for redemption of equity instrument	(14,777)	–
Payment for principal and interest element of lease liabilities	(215)	(194)
Net cash generated from financing activities	38,547	44,117
Effect of exchange rate changes on cash and cash equivalents	(108)	45
Net increase/(decrease) in cash and cash equivalents	48,231	(18,903)
Cash and cash equivalents at the beginning of the period	90,825	112,121
Cash and cash equivalents at the end of the period	139,056	93,218
Net cash flows from operating activities include:		
Interest received	19,843	18,182
Interest paid	(8,406)	(10,241)