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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 2023

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 tenth meeting of the sixth session of the Board of Directors of the Company considered and approved the Third Quarterly Report of 2023 of the Company on October 27, 2023.
- 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 China 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 subsidiary.
- 1.5 Lu Jianqiang (Chairman of the Company), Zhang Rongsen (President of the Bank), Jing Feng (Principal in charge of Finance) and Peng Zhiyuan (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, 2023	December 31, 2022	Increase (Decrease) as Compared to the End of Last Year (%)
Scale indicators			
Total assets	2,956,881	2,621,930	12.77
Total loans and advances to customers	1,697,621	1,525,030	11.32
Total liabilities	2,770,121	2,456,000	12.79
Customer deposits	1,793,417	1,681,443	6.66
Equity attributable to shareholders of the Bank	183,515	162,933	12.63
Net assets per share at the end of the period attributable to shareholders of the Bank (RMB yuan)	5.77	6.49	(11.09)

RMB million, excluding %

	January- September 2023	January- September 2022	Increase (Decrease) as Compared to the Corresponding Period of Last Year (%)
Operating result indicators			
Operating income	49,719	47,784	4.05
Profit before taxation	15,454	14,133	9.35
Net profit attributable to shareholders of the Bank	12,753	11,537	10.54
Net cash (used in)/generated from operating activities	(15,063)	123,088	(112.24)
Basic earnings per share attributable to shareholders of the Bank (RMB yuan) ⁽¹⁾	0.53	0.48	10.42
Diluted earnings per share attributable to shareholders of the Bank (RMB yuan) ⁽¹⁾	0.53	0.48	10.42

	January- September 2023	January- September 2022	Increase (Decrease) as Compared to the Corresponding Period of Last Year
Profitability indicators			
Return on average total assets (annualized) (%)	0.63	0.65	Decrease by 0.02 percentage point
Return on average equity (annualized) (%)	11.47	11.23	Increase by 0.24 percentage point
Net non-interest income to operating income (%)	27.70	25.84	Increase by 1.86 percentage points
Cost-to-income ratio (%)	27.69	25.14	Increase by 2.55 percentage points

Note: (1) Calculated in accordance with the provisions of the the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings Per Share (as amended in 2010) 《公開發行證券的公司信息披露編報規則第 9 號 - 淨資產收益率和每股收益的計算及披露》(2010年修訂)) issued by China Securities Regulatory Commission. Due to the impact of rights issue, the earnings per share of previous years have been recalculated.

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, 2023		December 31, 2022	
	The Group	The Bank	The Group	The Bank
Net core tier-one capital	155,917	150,238	135,925	130,881
Net tier-one capital	181,215	175,233	161,178	155,876
Net capital base	222,946	215,394	195,871	189,100
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 (%)	8.28	8.25	8.05	8.00
Tier-one capital adequacy ratio (%)	9.62	9.62	9.54	9.53
Capital adequacy ratio (%)	11.83	11.82	11.60	11.56

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, 2023	June 30, 2023	March 31, 2023	December 31, 2022
The Group				
Net tier-one capital	181,215	173,821	166,559	161,178
Adjusted asset balance inside and outside the balance sheet	3,493,810	3,407,575	3,271,402	3,146,094
Leverage ratio (%)	5.19	5.10	5.09	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	September 30, 2023	December 31, 2022
Liquidity coverage ratio (%)	144.52	148.11
High quality liquid assets	285,489	325,615
Net cash outflows over the next 30 days	197,546	219,840

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, 2023 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 at 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) were as follows:

Unit: share, excluding %

Name of Shareholder	Total Number of Shareholders 264,571 Number of Shares Held at the End of the Period	Shareholdings of Top Ten Shareholders			Pledge, Marked or Frozen		Nature of Shareholders
		Proportion (%)	Class of Shares	Number of Shares Held Subject to Selling Restrictions	Status of Shares	Number	
HKSCC Nominees Limited	5,919,867,480	21.55	H share without selling restrictions	-	Unknown	-	Overseas legal person
Zhejiang Provincial Financial Holdings Co., Ltd.	3,452,076,906	12.57	A share without selling restrictions	-	-	-	State-owned legal person
Hengdian Group Holdings Limited	1,615,542,387	5.88	A share without selling restrictions	-	-	-	Domestic non-state-owned legal person
Zhejiang Provincial Energy Group Co., Ltd.	1,089,799,478	3.97	A share without selling restrictions	-	-	-	State-owned legal person
Taiping Life Insurance Company Limited	921,538,465	3.36	A share without selling restrictions	-	-	-	State-owned legal person
Shandong International Trust Co., Ltd.	774,105,497	2.82	A share without selling restrictions	-	-	-	State-owned legal person
Minsheng Life Insurance Company Ltd. – self-owned capital	768,593,847	2.80	A share without selling restrictions	-	-	-	Domestic non-state-owned legal person
Zhejiang Hengyi High-tech Material Co., Ltd.	660,490,068	2.40	A share without selling restrictions	-	Pledge	660,490,068	Domestic non-state-owned legal person
Zhejiang Hengyi Group Co., Ltd.	643,052,319	2.34	A share without selling restrictions	-	Pledge	643,052,319	Domestic non-state-owned legal person
Xizi Elevator Group Co., Ltd.	611,160,446	2.23	A share without selling restrictions	-	-	-	Domestic non-state-owned legal person

Notes:

1. 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.
2. As at the end of the reporting period, among the top ten shareholders mentioned above, Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a related relationship. Apart from that, the Bank is not aware of other related relationship between the above shareholders or whether they are parties acting in concert.
3. To the best knowledge of the Company, as at September 30, 2023, by participating in securities refinancing and lending business through a brokerage firm, Zhejiang Provincial Energy Group Co., Ltd., a shareholder of the Company, lent 3,731,600 A shares of the Company; such shares were not registered in the name of Zhejiang Provincial Energy Group Co., Ltd. during the period of lending, but the ownership has not been transferred.

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

As at the end of the reporting period, the Company had no existing preference shares.

3 Operation Performance of the Third Quarter

The scale of businesses grew in a stable and health manner. As at the end of the reporting period, total assets of the Group amounted to RMB2,956.881 billion, representing an increase of RMB334.951 billion or 12.77% as compared to that at the end of last year, of which total loans and advances to customers amounted to RMB1,697.621 billion, representing an increase of RMB172.591 billion or 11.32% as compared to that at the end of last year. Total liabilities amounted to RMB2,770.121 billion, representing an increase of RMB314.121 billion or 12.79% as compared to that at the end of last year, of which customer deposits amounted to RMB1,793.417 billion, representing an increase of RMB111.974 billion or 6.66% as compared to that at the end of last year.

The operation quality and efficiency improved steadily. During the reporting period, operating income of the Group amounted to RMB49.719 billion, representing an increase of RMB1.935 billion or 4.05% as compared to the corresponding period of last year, of which net interest income amounted to RMB35.949 billion, representing an increase of RMB512 million or 1.44% as compared to the corresponding period of last year, net interest spread was 1.90%, representing a decrease of 0.16 percentage point as compared to the corresponding period of last year, and net non-interest income amounted to RMB13.770 billion, representing an increase of RMB1.423 billion or 11.53% as compared to the corresponding period of last year. Net non-interest income to operating income was 27.70%, representing an increase of 1.86 percentage points as compared to the corresponding period of last year. Cost-to-income ratio was 27.69%, representing an increase of 2.55 percentage points as compared to the corresponding period of last year. Net profit attributable to shareholders of the Bank amounted to RMB12.753 billion, representing an increase of RMB1.216 billion or 10.54% as compared to the corresponding period of last year.

The quality of assets saw a positive trend. As at the end of the reporting period, the non-performing loan balance of the Group was RMB24.548 billion, representing an increase of RMB2.195 billion or 9.82% as compared to that at the end of last year; the non-performing loan ratio was 1.45%, representing a decrease of 0.02 percentage point as compared to that at the end of last year; allowance to non-performing loans ratio was 182.94%, representing an increase of 0.75 percentage point as compared to that at the end of last year; the allowance to total loans ratio was 2.65%, representing a decrease of 0.02 percentage point as compared to that at the end of last year.

Capital adequacy ratio rose slightly. As at the end of the reporting period, the capital adequacy ratio of the Group was 11.83%, representing an increase of 0.23 percentage point as compared to that at the end of last year. The tier-one capital adequacy ratio was 9.62%, representing an increase of 0.08 percentage point as compared to that at the end of last year, and the core tier-one capital adequacy ratio was 8.28%, representing an increase of 0.23 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 %

Item	January-September 2023	January-September 2022	Period-on-Period Increase (Decrease) (%)	Main reasons for the changes during the reporting period
Net cash (used in)/generated from operating activities	(15,063)	123,088	(112.24)	Decrease in cash inflow from customer deposits

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.
Lu Jianqiang
Chairman

Hangzhou, the PRC
October 27, 2023

As at the date of this announcement, the executive directors of the Bank are Mr. Lu Jianqiang, 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. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei, Mr. Xu Yongbin and Mr. Fu Tingmei.

Appendix 1

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

(In RMB millions, unless otherwise stated)

	For nine months ended 30 September	
	2023 (Unaudited)	2022 (Unaudited)
Interest income	82,123	75,930
Interest expense	(46,174)	(40,493)
NET INTEREST INCOME	35,949	35,437
Fee and commission income	4,896	4,300
Fee and commission expense	(803)	(551)
NET FEE AND COMMISSION INCOME	4,093	3,749
Net trading gains	6,812	6,270
Net gains on financial investments	2,027	1,898
Other operating income	838	430
OPERATING INCOME	49,719	47,784
Operating expenses	(14,292)	(12,501)
Expected credit losses	(19,973)	(21,150)
PROFIT BEFORE TAXATION	15,454	14,133
Income tax expense	(2,343)	(2,309)
PROFIT FOR THE PERIOD	13,111	11,824
Attributable to:		
Shareholders of the Bank	12,753	11,537
Non-controlling interests	358	287

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED) FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

(In RMB millions, unless otherwise stated)

	For nine months ended	
	30 September 2023 (Unaudited)	2022 (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	8	10
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	(847)	(2,001)
Allowance for ECLs of financial assets measured at fair value through other comprehensive income	292	698
Exchange difference from the translation of foreign operations	367	1,004
Other comprehensive income, net of tax	(180)	(289)
Total comprehensive income	12,931	11,535
Total comprehensive income attributable to:		
Shareholders of the Bank	12,572	11,248
Non-controlling interests	359	287
Earnings per share attributable to ordinary shareholders of the Bank		
Basic (RMB yuan)	0.53	0.48
Diluted (RMB yuan)	0.53	0.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2023

(In RMB millions, unless otherwise stated)

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS		
Cash and balances with the central bank	150,572	185,625
Precious metals	7,268	13,860
Deposits with banks and other financial institutions	54,638	43,461
Placements with banks and other financial institutions	9,982	9,581
Derivative financial assets	26,512	14,179
Financial assets purchased under resale agreements	20,843	15,886
Loans and advances to customers	1,655,002	1,486,291
Financial investments		
– Financial assets measured at fair value through profit or loss	276,192	189,020
– Financial assets measured at amortized cost	399,020	368,792
– Financial assets measured at fair value through other comprehensive income	240,941	194,037
Fixed assets	22,905	18,394
Right-of-use assets	4,867	5,016
Intangible assets	637	617
Deferred tax assets	22,063	20,901
Other assets	65,439	56,270
TOTAL ASSETS	2,956,881	2,621,930
LIABILITIES		
Due to the central bank	86,873	97,170
Deposits from banks and other financial institutions	281,896	241,814
Placements from banks and other financial institutions	96,565	64,155
Financial liabilities at fair value through profit or loss	11,464	55
Derivative financial liabilities	26,174	14,462
Financial assets sold under repurchase agreements	86,154	6,066
Customer deposits	1,793,417	1,681,443
Employee benefits payable	4,668	5,786
Taxes payable	4,126	4,027
Provisions	1,213	1,838
Debt securities issued	359,980	323,033
Lease liabilities	3,271	3,318
Other liabilities	14,320	12,833
TOTAL LIABILITIES	2,770,121	2,456,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) AT 30 SEPTEMBER 2023

(In RMB millions, unless otherwise stated)

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
EQUITY		
Share capital	27,464	21,269
Other equity instruments	24,995	24,995
Capital reserve	38,570	32,289
Other comprehensive income	2,010	2,191
Surplus reserve	11,075	11,075
Statutory general reserve	29,704	26,457
Retained earnings	49,697	44,657
Total equity attributable to shareholders of the Bank	183,515	162,933
Non-controlling interests	3,245	2,997
TOTAL EQUITY	186,760	165,930
TOTAL LIABILITIES AND EQUITY	2,956,881	2,621,930

The consolidated financial statements were approved by the Board of Directors on October 27, 2023.

Lu Jianqiang
Chairman

Zhang Rongsen
President

Jing Feng
Principal in-charge of
Finance

Peng Zhiyuan
Director of the
Financial Department

CONSOLIDATED CASH FLOW STATEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

(In RMB millions, unless otherwise stated)

	For nine months ended	
	30 September 2023 (Unaudited)	2022 (Unaudited)
Cash flows from operating activities:		
Profit before taxation	15,454	14,133
Adjustments for:		
Expected credit losses	19,973	21,150
Depreciation and amortization	1,418	1,374
Interest income from financial investments	(15,404)	(13,639)
Net investment income	(4,811)	(5,731)
Net (gains)/losses from changes in fair value	(1,409)	1,484
Net foreign exchange losses	50	340
Net gains on disposal of fixed assets	(6)	(4)
Interest expense on debt securities issued	6,915	6,665
Interest expense on lease liabilities	112	103
Deferred tax expense	(979)	(2,563)
Net changes in operating assets and operating liabilities:		
Net increase in balances with the central bank	(825)	(21,421)
Net increase in deposits with banks and other financial institutions	(6,171)	(19,216)
Net decrease/(increase) in placements with banks and other financial institutions	1,180	(6,493)
Net (increase)/decrease in financial assets purchased under resale agreements	(410)	1,043
Net increase in loans and advances to customers	(180,235)	(164,413)
Net (increase)/decrease in financial assets held for trading	(95,290)	28,274
Net decrease in other operating assets	8,777	6,979
Net (decrease)/increase in due to the central bank	(10,774)	14,496
Net increase/(decrease) in deposits from banks and other financial institutions	38,818	(51,316)
Net increase in placements from banks and other financial institutions	25,022	15,931
Net increase in financial assets sold under repurchase agreements	79,991	345
Net increase in customer deposits	107,586	301,143
Net increase/(decrease) in other operating liabilities	371	(1,805)
Net cash flows (used in)/generated from operating activities before taxation	(10,647)	126,859
Income tax paid	(4,416)	(3,771)
Net cash (used in)/generated from operating activities	(15,063)	123,088

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

(In RMB millions, unless otherwise stated)

	For nine months ended	
	30 September 2023 (Unaudited)	2022 (Unaudited)
Cash flows from investing activities:		
Proceeds from disposal of fixed assets, intangible assets and other long-term assets	19	199
Payment for acquisition of fixed assets, intangible assets and other long-term assets	(6,116)	(4,861)
Investment returns received	21,350	19,196
Proceeds from disposal of investments	1,310,820	928,460
Payment for acquisition of investments	(1,373,570)	(1,015,121)
Net cash used in investing activities	(47,497)	(72,127)
Cash flows from financing activities:		
Proceeds from issuance of shares	12,476	–
Proceeds from issuance of debt securities	381,685	232,388
Repayment of matured debt	(344,864)	(273,521)
Repayment of interest on debt securities issued	(7,037)	(6,825)
Payment for dividend distribution	(4,594)	(1,007)
Payment for redemption of equity instrument	–	(14,687)
Repayment for principal and interest elements of lease liabilities	(575)	(551)
Net cash generated from/(used in) financing activities	37,091	(64,203)
Effect of exchange rate changes on cash and cash equivalents	596	1,831
Net decrease in cash and cash equivalents	(24,873)	(11,411)
Cash and cash equivalents at the beginning of the period	107,748	90,825
Cash and cash equivalents at the end of the period	82,875	79,414
Net cash flows from operating activities include:		
Interest received	64,657	60,893
Interest paid	(32,702)	(27,739)