

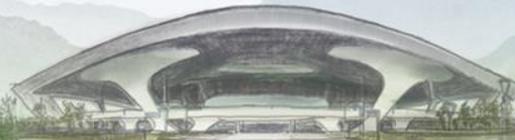


**CZBANK**  **浙商银行**

Stock Code: 2016

Stock Code of Preference Shares: 4610

**2018**  
**Interim Results**  
**Announcement**



August 2018

# Disclaimer

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For detailed financial information, please refer to the latest interim results announcement of the Bank.

# Table of Contents

- I Overview of the Bank**
- II Financial Performance**
- III Business Development**
- IV Risk Management**

# Overview of the Bank

## A Nationwide Joint-Stock Commercial Bank Oriented by Full-asset Class Operation Strategy

- One of the twelve nationwide joint-stock commercial banks with head office located in Hangzhou, Zhejiang Province
- As of June 30, 2018, it has **224** operating institutions in **16** provinces (municipalities) **and Hong Kong**, and realized effective coverage in Yangtze River Delta, Bohai Rim, Pearl River Delta and some Midwestern China
- On April 10, 2018, **the Bank opened up its Hong Kong Branch**
- Insist on the overall goal of “Two Most” and Full- Asset class operation strategy



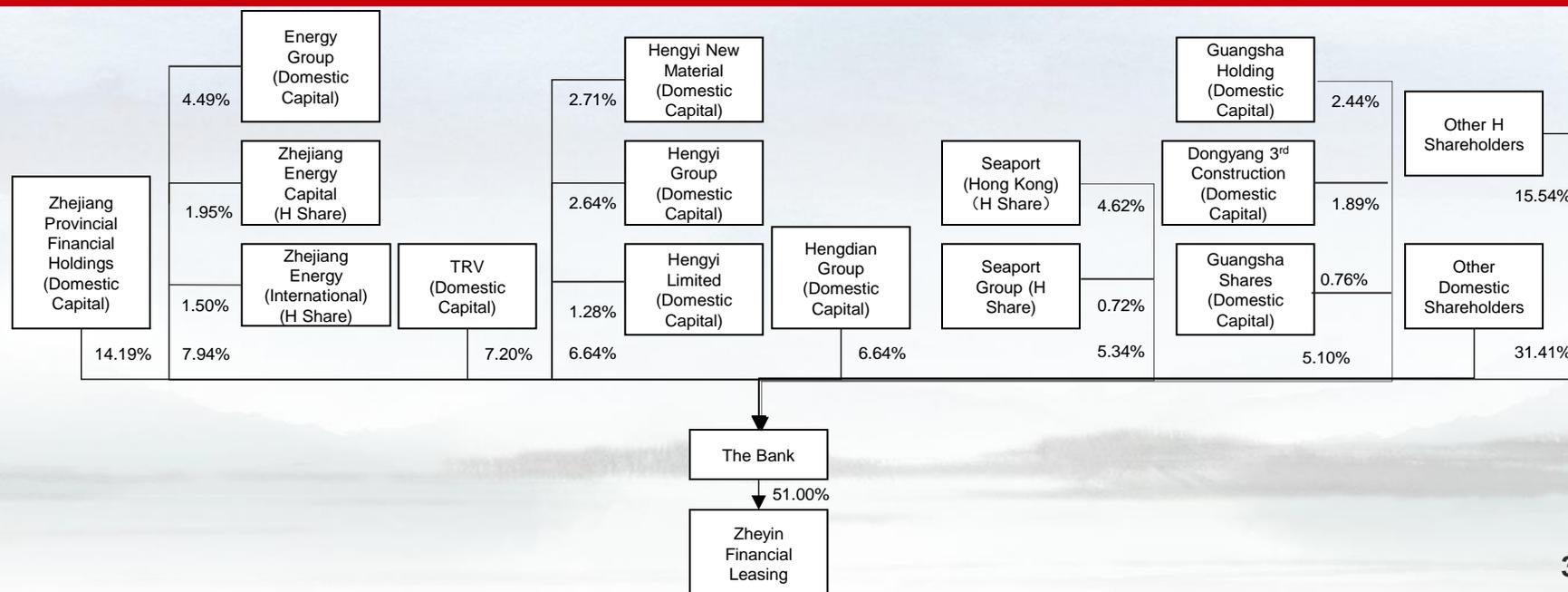
**Two Most**

- The Most Competitive Nationwide Joint-stock Commercial Bank
- The Most Important Financial Platform in Zhejiang Province

## Overview of the Bank (Cont) — Equity Structure of the Bank

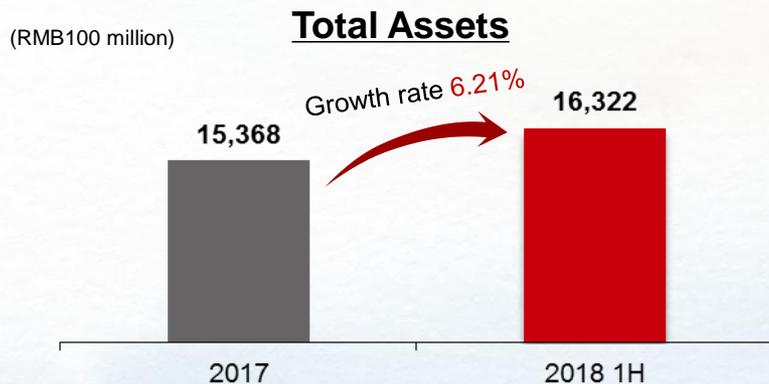
- As of June 30, 2018, the total number of ordinary shares of the Bank is 18,718,696,778, comprising 14,164,696,778 domestic shares representing 75.67% of the issued share capital of the Bank and 4,554 million H shares representing 24.33% of the issued share capital of the Bank.
- There has 28 domestic shareholders, which are all institutional shareholders. The largest shareholder is Zhejiang Provincial Financial Holdings Co., Ltd., holding 2,655,443,774 domestic shares of the Bank, representing 14.19% of the issued share capital of the Bank.
- Three provincial SOE shareholders hold 27.47% of the issued share capital of the Bank. Most of the shareholders of the Bank are in private sector.

### Equity Structure chart of the Bank as of June 30 2018

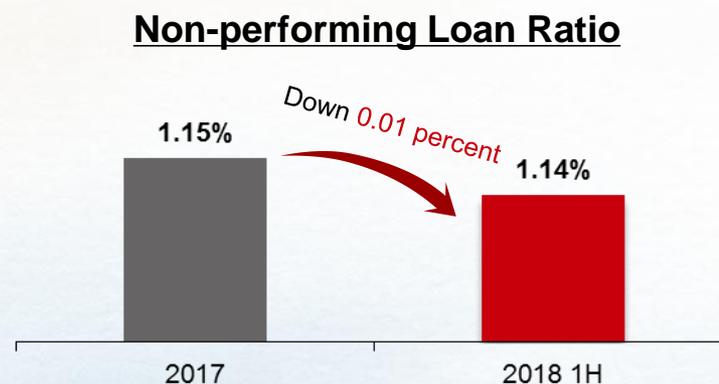


# Overview of the Bank (Cont)

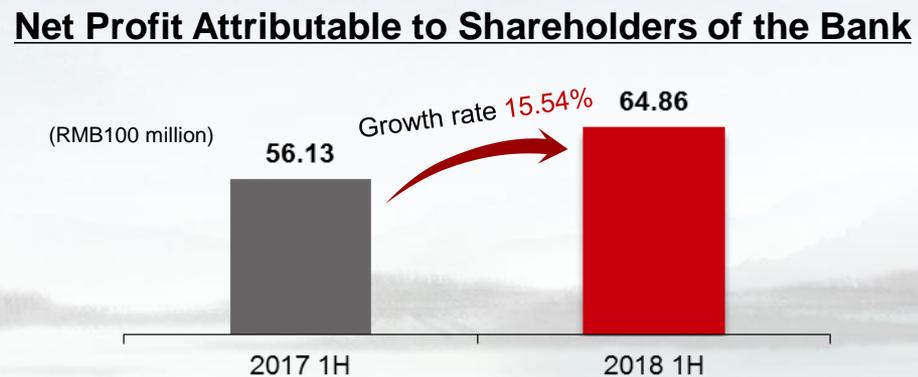
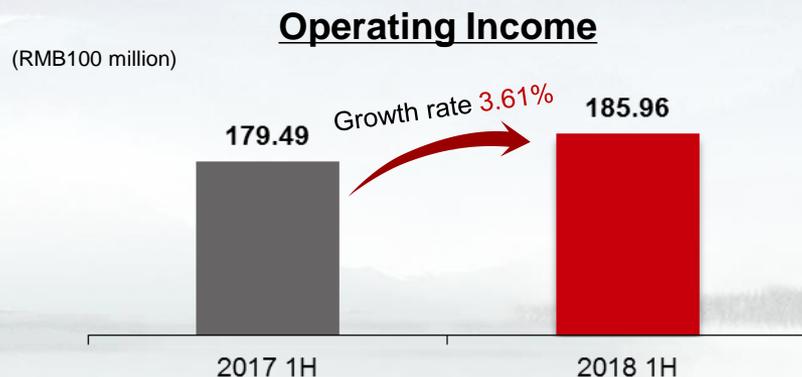
## Steady increase of business scale



## Solid asset quality



## Continuous improvement in financial benefits



# Key Financial Indicators

Indicator of operating performance (RMB100 million)	2018 1H	2017 1H	Growth rate
Operating Income	185.96	179.49	3.61%
Net interest income	126.25	123.85	1.94%
Net non-interest income	59.71	55.64	7.32%
Operating expenses	55.72	54.31	2.59%
Net profit attributable to shareholders of the Bank	64.86	56.13	15.54%

Profitability indicators	2018 1H	2017 1H	Changes in percentage point
Return on average total assets	0.83%*	0.80%*	↑0.03
Return on average equity	16.82%*	16.54%*	↑0.28
Net interest margin	1.88%*	1.75%*	↑0.13
Net interest spread	1.66%*	1.57%*	↑0.09
Net non-interest income to operating income	32.11%	31.00%	↑1.11

Scale indicators (RMB100 million)	2018 1H	2017	Growth rate
Total assets	16,322	15,368	6.21%
Total loans and advances to customers	7,960	6,729	18.30%
Total liabilities	15,360	14,471	6.15%
Customer deposits	9,060	8,606	5.27%
Equity attributable to shareholders of the Bank	946	882	7.31%

Asset quality indicators	2018 1H	2017	Changes in percentage point
Non-performing loan ratio	1.14%	1.15%	↓0.01
Allowance-to-loan ratio	3.20%	3.43%	↓0.23
Allowance to non-performing loans	280.59%	296.94%	↓16.35
Capital adequacy indicators	2018 1H	2017	Changes in percentage point
Core tier-one capital adequacy ratio	8.41%	8.29%	↑0.12
Capital adequacy ratio	13.71%	12.21%	↑1.50

Note: \*represents an annualized ratio (the same below).

# Table of Contents

- I Overview of the Bank
- II Financial Performance**
- III Business Development
- IV Risk Management

# Financial Performance

1

Continuous replenishment of capital to enhance capital strength

2

Scale expanded steadily, gradual optimization of asset structure

3

Increased profitability and continuous improved operating income

4

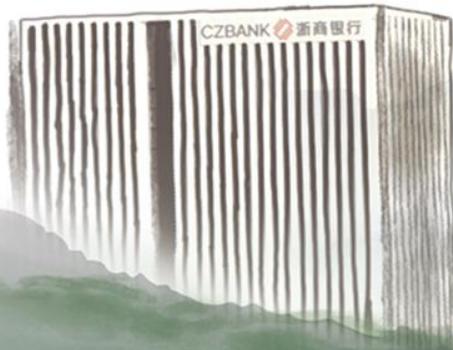
Prudent in impairment accrued, the overall risk profile is under control

5

Expense control has achieved remarkable results, and cost-to-income ratio decreased period-on-period

6

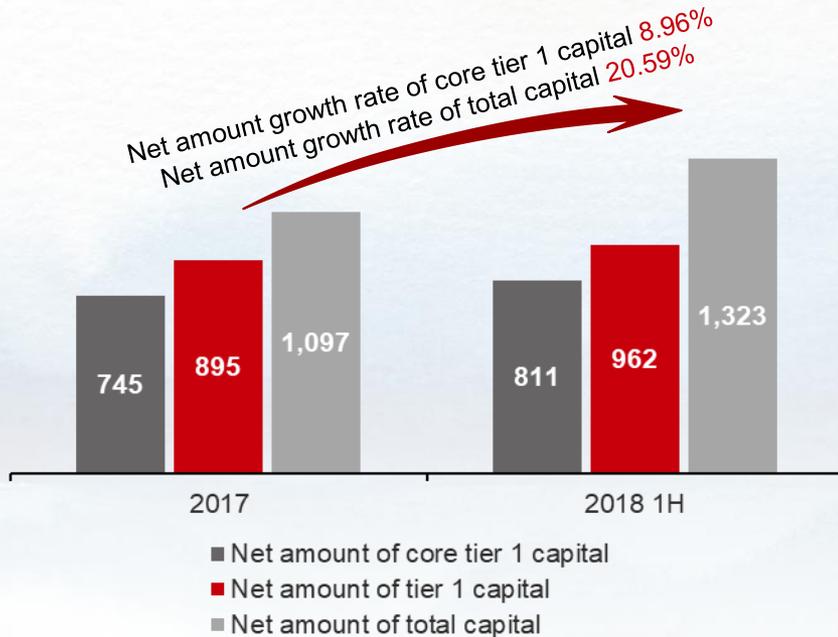
Net profit grew rapidly, shareholders' returns continuously improved



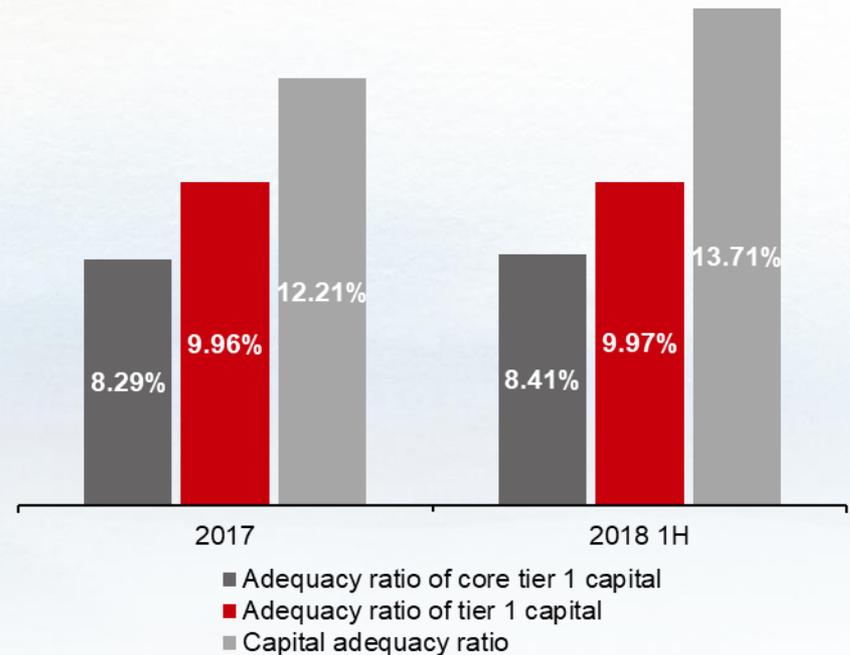
# 1. Continuous replenishment of capital to enhance capital strength

## Capital strength continued to improve

(RMB 100 million)



## Capital adequacy ratio kept increasing

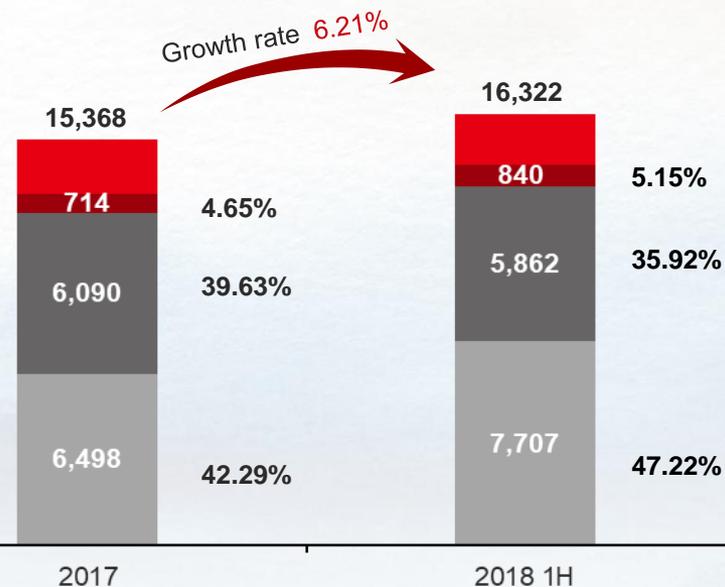


- In the first half of 2018, the Bank's net profit maintained steady growth. We replenished the core tier 1 capital by approximately RMB 2.9 billion and the tier 2 capital by RMB 15 billion through placing of H shares under general mandate and issuing of tier 2 capital bonds.

## 2. Scale expanded steadily, gradual optimization of asset structure

### Strengthened credit asset and gradually optimize asset structure

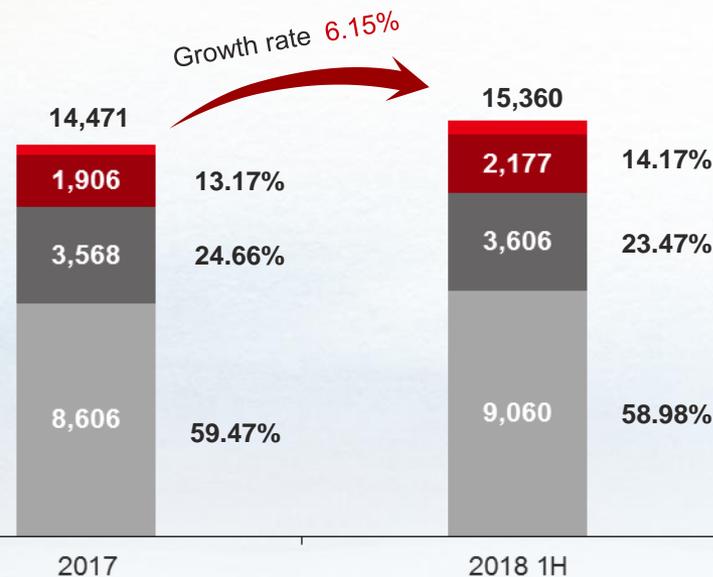
(RMB 100 million)



■ Investment  
■ Net amount of loans and advances to customer  
■ Due to banks and other financial institutions  
■ Others

### Deposits grew steadily and liabilities structure was relatively stable

(RMB 100 million)



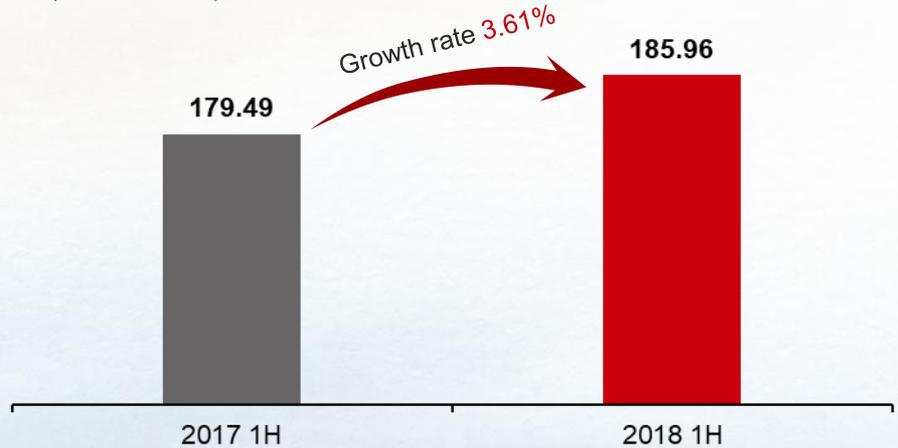
■ Customer deposits  
■ Debt securities issued  
■ Due to banks and other financial institutions  
■ Others

- The asset structure gradually optimized, credit assets strengthened with the loan exceeded RMB700 billion
- Stabilized the source of liabilities and expanded basic deposits with the deposits exceeded RMB900 billion

### 3. Increased profitability and continuous improved operating income

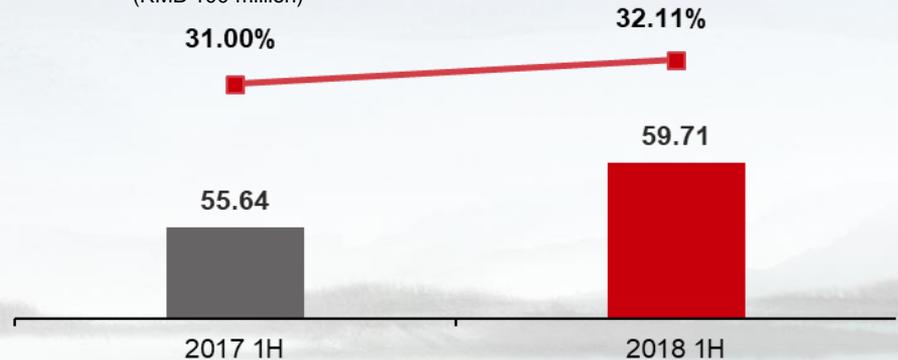
#### Operating income continued to increase

(RMB 100 million)



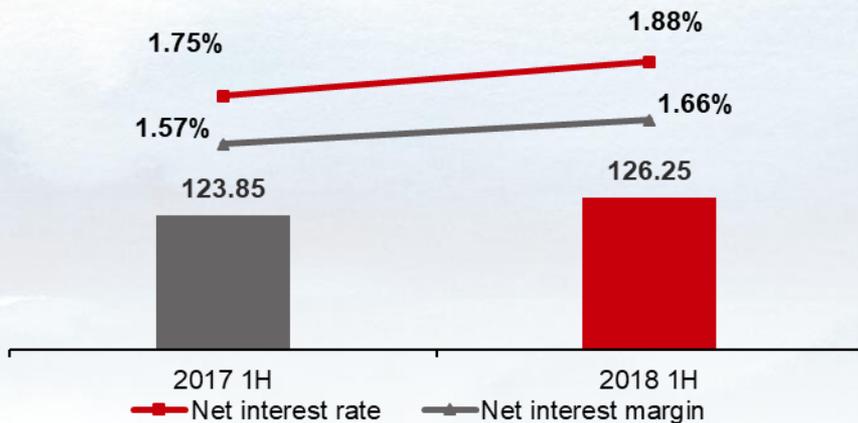
#### Net non-interest income to operating income ratio increased

(RMB 100 million)



#### Net interest margin and net interest spread recovered, and net interest income increased period-on-period

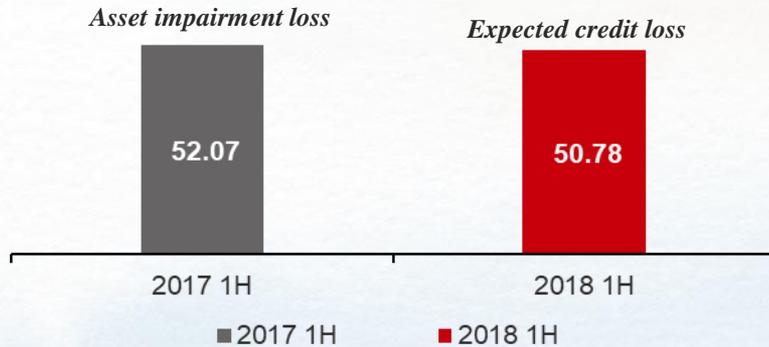
(RMB 100 million)



## 4. Prudent in impairment accrued, the overall risk profile is under control

### Expected credit loss slightly decreased period-on-period

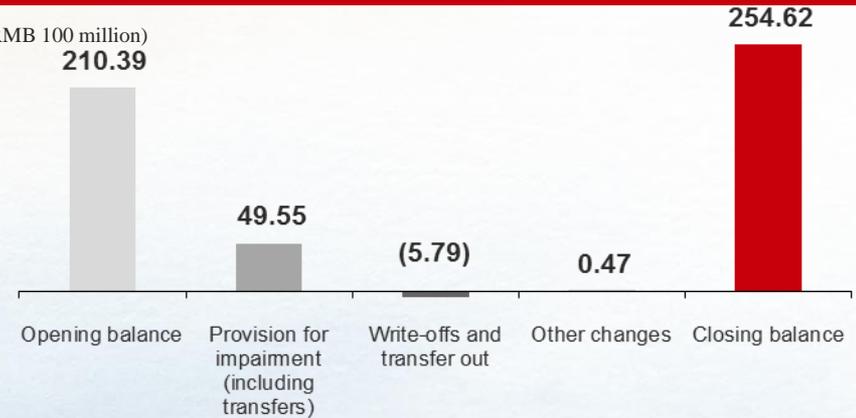
(RMB 100 million)



Note: Since 2018, the Bank's asset impairment measurement tool has been changed from incurred loss model to expected credit loss model

### Change of loan expected credit loss allowance

(RMB 100 million)



Note: Other changes include changes in the balance of loans expected credit loss allowance caused by the recoveries of loans write-off in previous years and exchange differences etc.

### Allowance-to-loan ratio remained relatively stable



Minimum regulatory requirements: 2.50%

### Allowance to non-performing loans ratio remained at high level



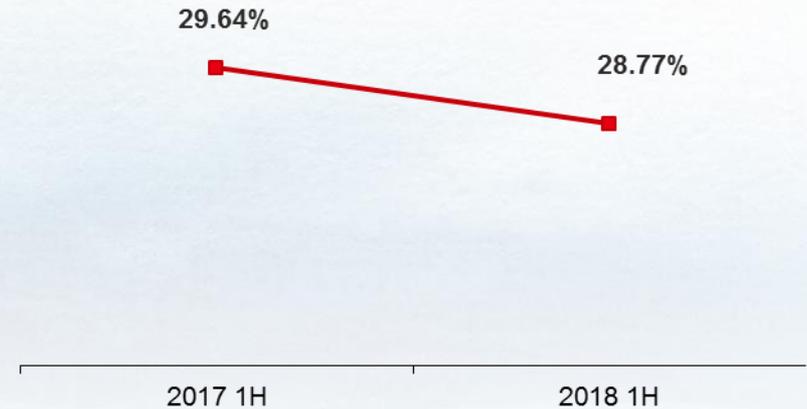
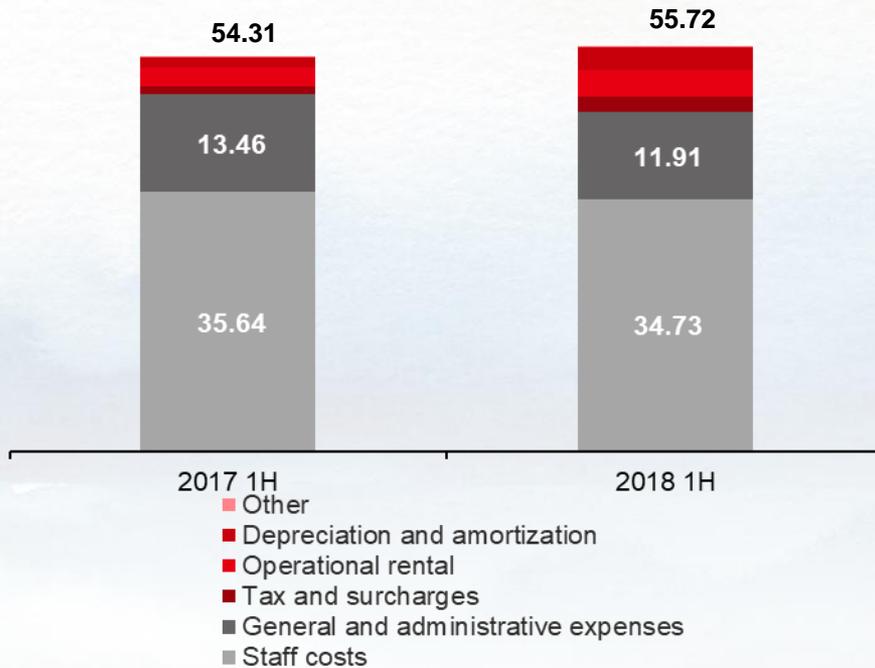
Minimum regulatory requirements: 150%

## 5. Expense control has achieved remarkable results, and cost-to-income ratio decreased period-on-period

Operating expenses slightly increased period-on-period

Cost-to-income ratio decreased period-on-period

(RMB 100 million)

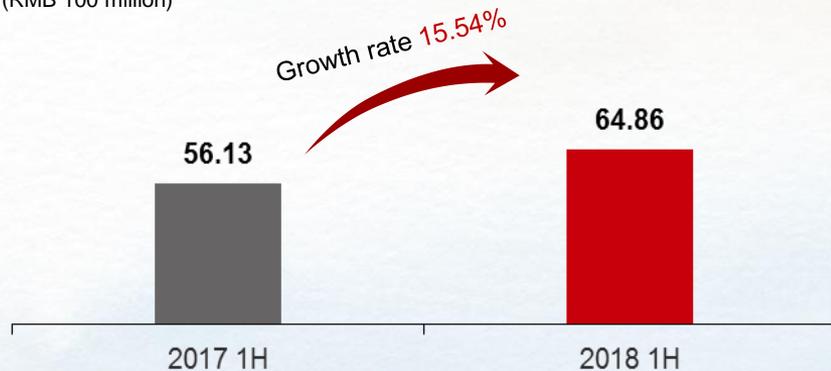


Note: Cost-to-income ratio is calculated by operating expenses (excluding tax and surcharges) divided by operating income

## 6. Net profit grew rapidly , shareholders' returns continuously improved

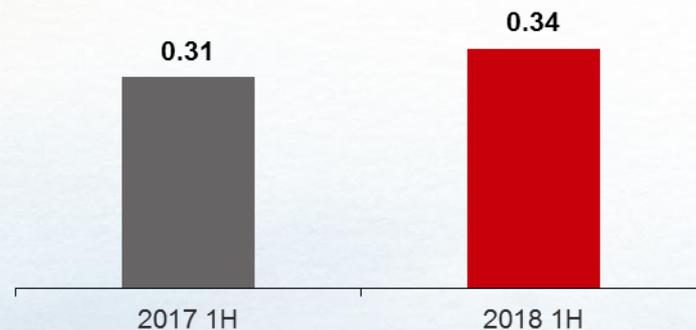
### Net profit attributable to the shareholders of the Bank grew rapidly

(RMB 100 million)

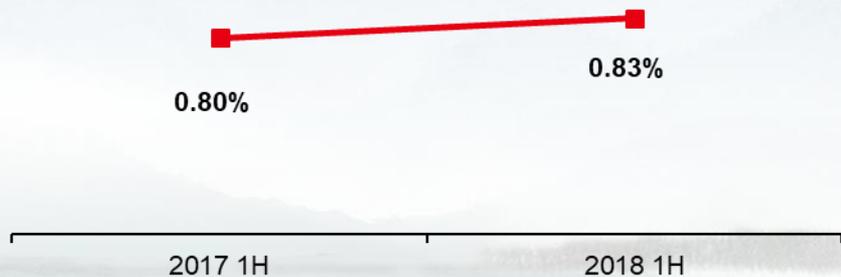


### Basic earnings per share increased period-on-period

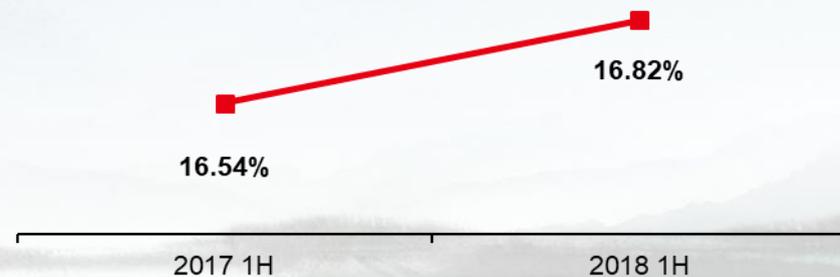
(RMB)



### Return on average total asset increased period-on-period



### Return on average equity increased period-on-period



# Table of Contents

- I Overview of the Bank
- II Financial Performance
- III Business Development**
- IV Risk Management

# Business Development

1

Optimizing three platforms for corporate business prominent result in providing liquidity service

2

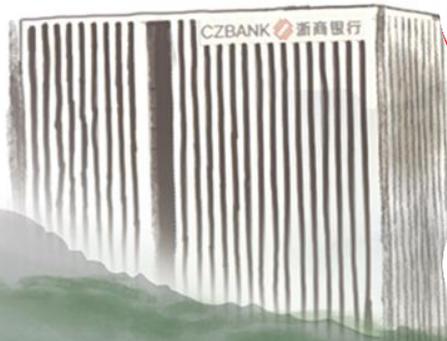
Inter-bank financial segment in healthy development and trading service in steady progress

3

Multiple measures taken for small enterprise business continuously upgrade heartedly service

4

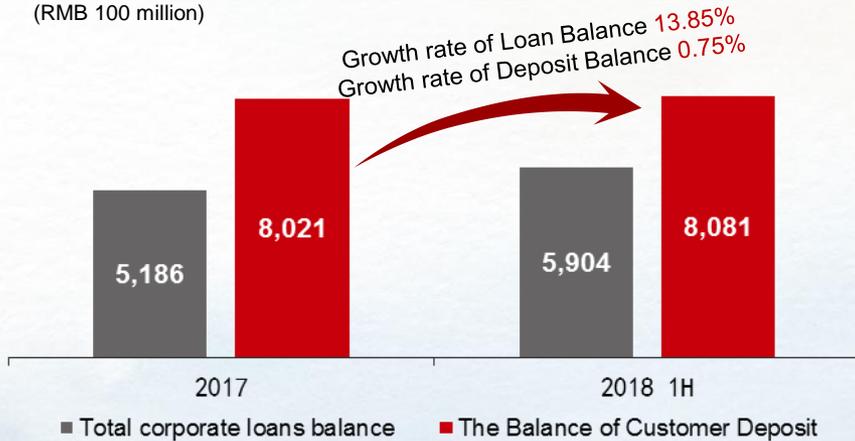
Continuous innovations on retail banking business with a wealth management bank taking shape



# 1. Optimizing three platforms for corporate business prominent result in providing liquidity service

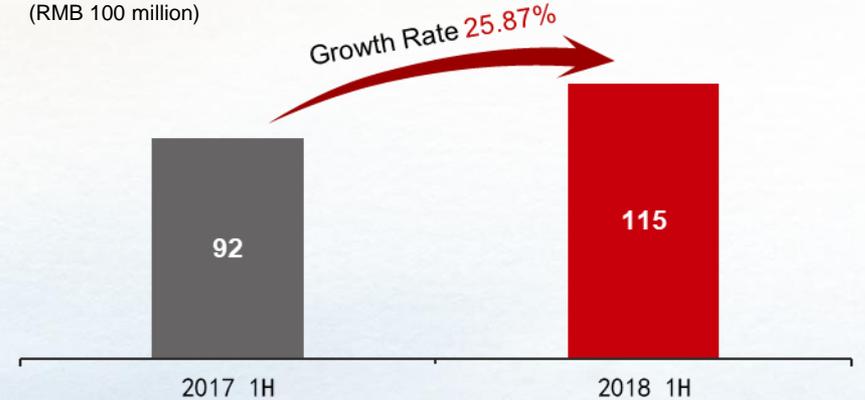
## Balance of Deposits and Loans of Customers

(RMB 100 million)



## Corporate Banking Operating Revenue

(RMB 100 million)



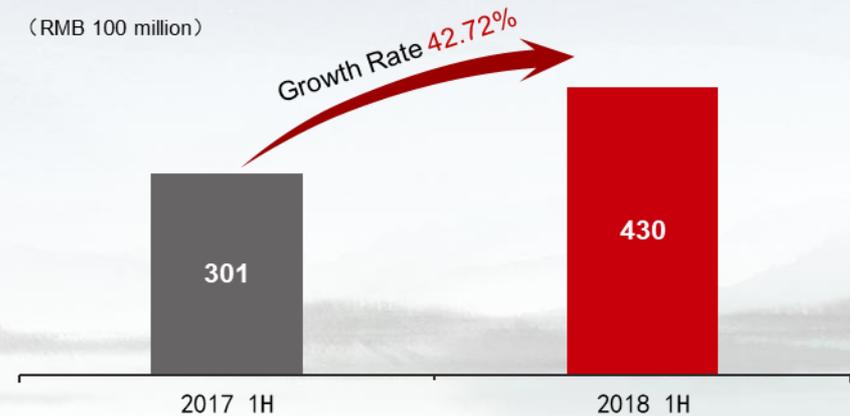
## Financing Balance in Intelligent Manufacturing

(RMB 100 million)



## International Business Settlement

(RMB 100 million)



# 1. Optimizing three platforms for corporate business prominent result in providing liquidity service (Cont)

## Build an open, equal and efficient enterprise “self-financing” platform

- The Bank focuses on creating values for customers, innovates upon the philosophy of “Internet + Real Economy Enterprises + Financial Service”, and established the pooled financing platform, Yiqiyin (易企银) platform and accounts receivable chain platform to help enterprises with deleveraging and cost reduction, meet their “self-financing” needs, and build up the “corporate liquidity service bank”.

### Pooled Financing Platform

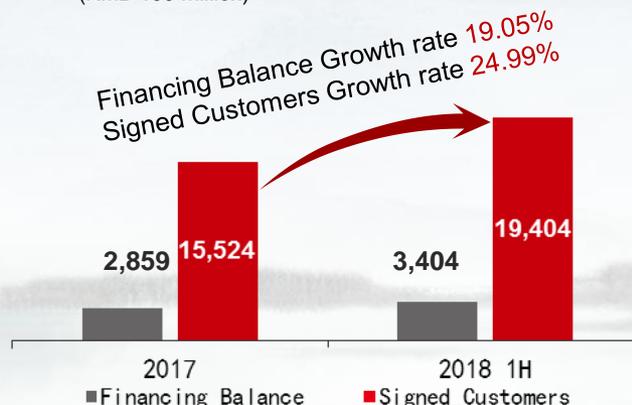
The Bank paid close attention to the two core needs of enterprises as “reducing financing costs and improving service efficiency”, brought forth new ideas in the “pooled” and “online” financing business model, which is to put notes receivable, receivables and sorts of financial instruments in the pool for unified management and generation of credit lending or financing limit; promote online supply chain financing “1+N” solution and ‘Zhizhen Loan’ based on three pools (bills, assets and exports) and formed a complete set of comprehensive financial services solutions to enterprise liquidity.

#### Advantages of Pooled Financing Platform



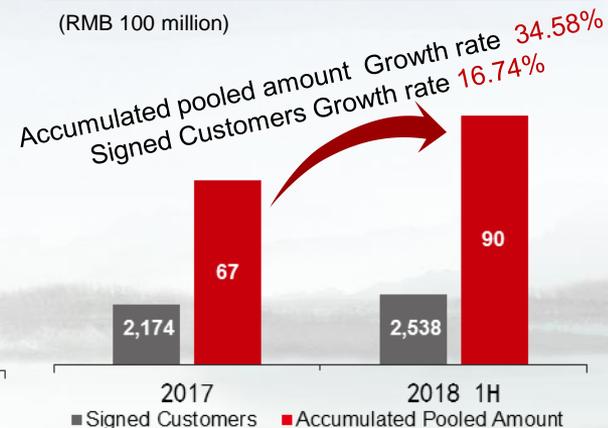
#### Asset Pool (Bill Pool) Business

(RMB 100 million)



#### Export Pool

(RMB 100 million)



# 1. Optimizing three platforms for corporate business prominent result in providing liquidity service (Cont)

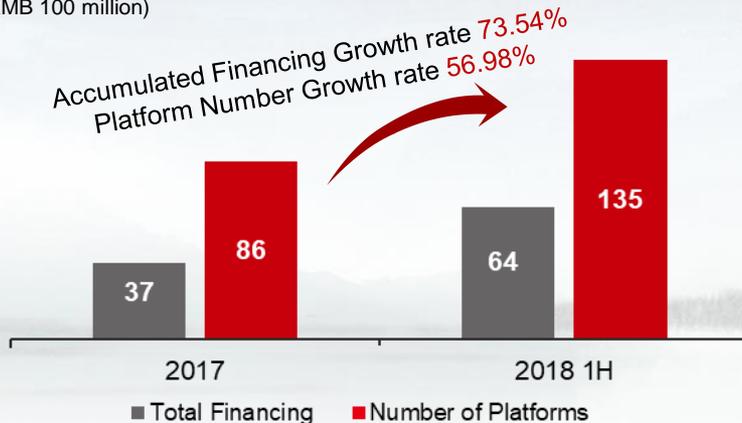
## Build an open, equal and efficient enterprise “self-financing” platform

### Yiqiyin (易企銀) Platform

- Yiqiyin (易企銀) platform is an innovative comprehensive financial service platform for enterprises and groups integrated by “Internet+ Real Enterprises+ Financial Service” concepts and professional technologies of settlement, credit and financing, etc.
- It facilitates online financing and cost reduction of upstream & downstream enterprises on the supply chain, and support core enterprises to build up a good supply chain ecosystem

### Yiqiyin (易企銀) Platform Growth

(RMB 100 million)



### Accounts Receivable Chain Platform

- It is a company-bank cooperation platform designed and developed by the Bank based on innovative technologies, and for the purpose of solving the pain points and difficult problems faced by enterprises in corporate accounts receivables
- It converts accounts receivable of enterprises to electronic payment settlement and financing instruments and helps enterprises lower leverage and cost, and ease difficulty and cost of financing for medium and small enterprises.

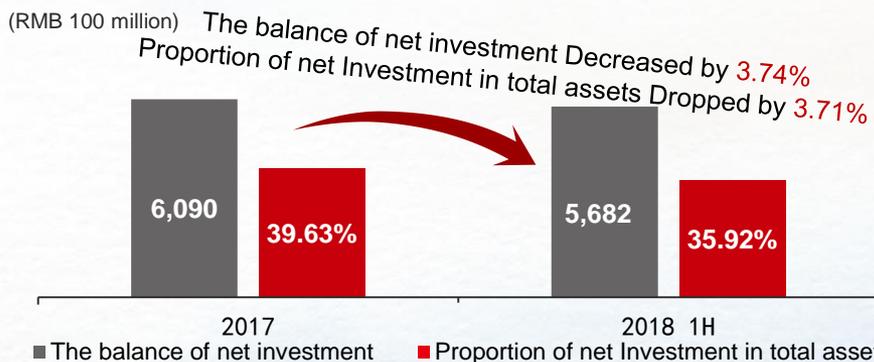
### Accounts Receivable Chain Platform Growth

(RMB 100 million)



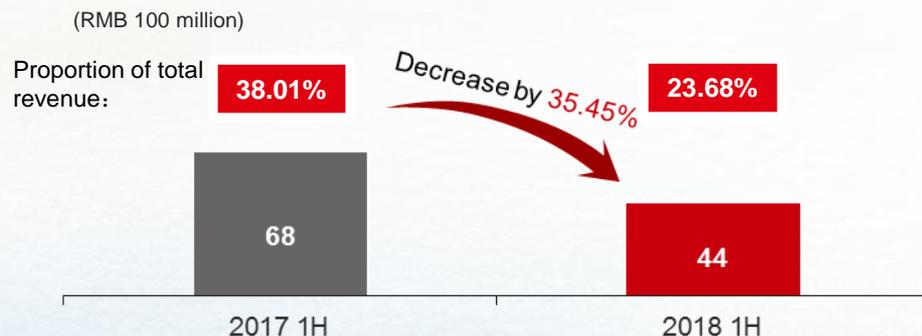
## 2. Inter-bank financial segment in healthy development and trading service in steady progress

### Net Investment



Note: The data at the end of 2017 were the total of financial assets at fair value through profit or loss, financial assets -available-for-sale, financial assets -held-to-maturity, financial assets-debt instruments classified as receivables. The data at the end of June 2018 were the total of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and financial assets measured at amortized cost.

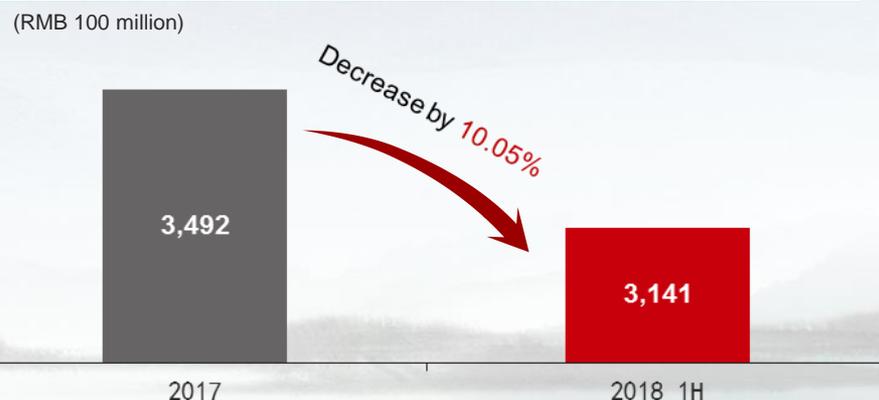
### Operating Revenues on Inter-bank Financial Segment



### Volume of Precious Metals Trade



### Balance of Wealth Management Product



## 2. Inter-bank financial segment in healthy development and trading service in steady progress (Cont)

### Financial Market Business

- Positively build a comprehensive FICC trading platform which integrates proprietary investment and financing, proprietary trading and commissioned trading
- Various trading business qualifications and product lines are constantly enriched
- The trading volume of proprietary foreign exchange and foreign exchange derivatives on behalf of customers respectively increased by 110.97% and 146.05% compared to those in the same period of last year

### Capital Market Business

- Adhere to the basic principle of serving the real economy, volunteer to promote business transformation under the background of new rules of capital regulation and changes in market environment, and raise voluntary asset management abilities and investment and financing plan design abilities to meet customers' diversified financial demand.
- Further improve business process, raise business efficiency with professional levels, implement Head Office-branch linkage strategies and promote business service abilities on capital market

### Financial Inter-bank Business

- Follow the trend to cut the overall scale with decreased inter-bank asset compared with that at the end of the previous year
- In asset structure, it raises the proportion of allocation of asset securitized products and credit debts, etc. and better connects with the financing demand of real economic enterprises while raising asset liquidity
- Strictly implement requirements of regulatory policies, center on serving the real economy, promote linkage among "investment, debt, loan and bill" and customize low-cost and highly customized financing plans for customers

### Asset Management Business

- Dedicated to building an asset management platform with cross-market multi-tool portfolio application, leading professional efficiency and one-stop customer demand satisfaction
- Issued financial products amounting to RMB389 billion in total from January to June 2018 with an increase of 54.79% compared to those in the first half of the previous year
- Won the "2018 China Bank Financial Product Brand Award" by Securities Times

### Investment Bank Business

- Depend on enormous fine basic customer population, flexibly apply mature products and innovative products on interbank markets, and provide investors with more diversified fixed return assets
- Mainly sell various bonds amounting to RMB81.7 billion from January to June 2018, representing an increase of 52.01% as compared to that in the first half of the previous year

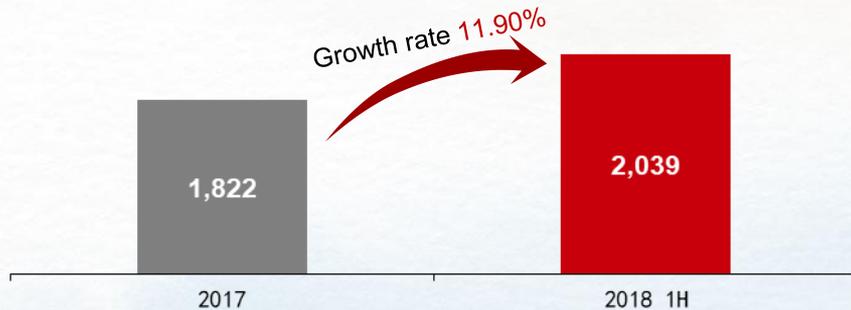
### Asset Custody Business

- Firmly seize business development opportunities and build a high quality custodian bank brand with the Bank's characteristics
- As of the end of June 2018, the scale of custody assets was RMB1.68 trillion representing an increase of 2.80% as compared to those in the same period of the previous year
- Realize a custody revenue of RMB 286 million in total from January to June 2018, representing an increase of 30.20% as compared to that in the first half of the previous year

### 3. Multiple measures taken for small enterprise business continuously upgrade heartedly service

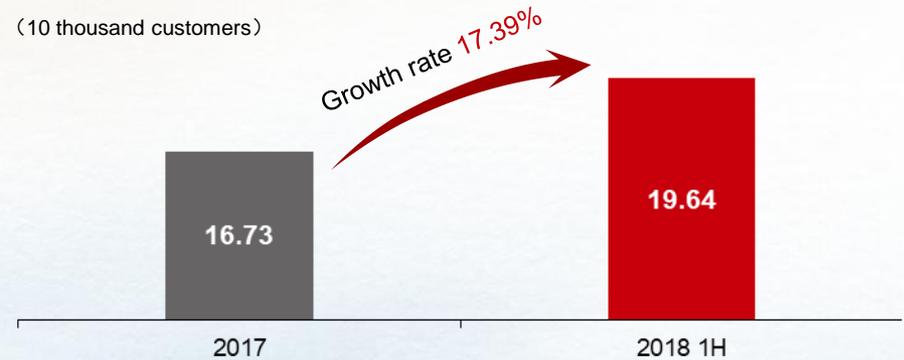
#### Small and Micro Enterprise Loan in Full Amount (National Standard)

(RMB 100 million)



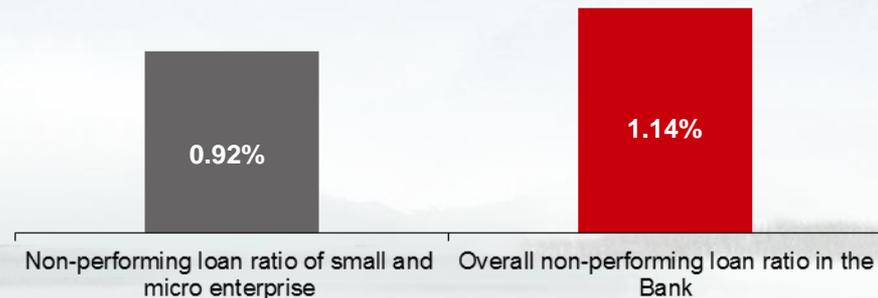
#### Number of Small and Micro Enterprise Customers Served

(10 thousand customers)



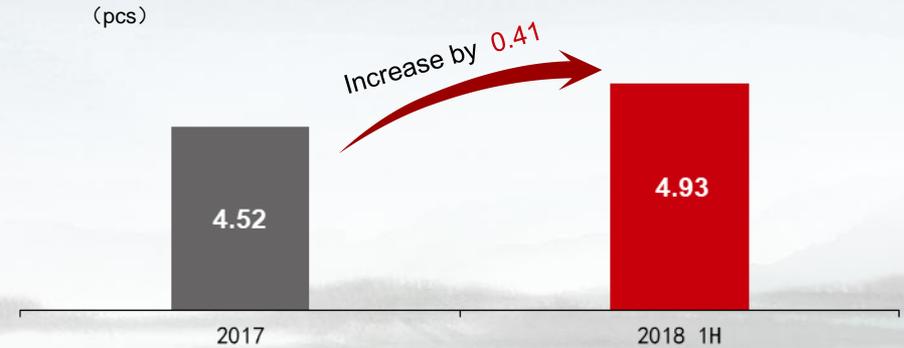
#### Non-performing loan ratio of Small and Micro Enterprise

Non-performing loan ratio of small and micro enterprise is lower than the overall non-performing loan ratio in the Bank



#### Number of Cross-selling Products

(pcs)



### 3. Multiple measures taken for small enterprise business continuously upgrade heartedly service (Cont)

#### Adherence to the path of sustainable “inclusive finance”

- Established a matrix, penetrating and three-layer inclusive finance operation management system, continuously improved the inclusive finance operation mechanism, continuously enhanced the establishment of organizations which were specially engaged in serving small and micro enterprises, and promoted sustainable and balanced development of inclusive finance.
- As of the end of June, 2018, the balance of small and micro enterprise loans granted by the Company under inclusive finance with the individual total credit line less than RMB10 million (inclusive) was RMB135.8 billion, representing an increase of 20.35% as compared to the beginning of the year, which was 2.57 percentage points higher than the growth rates of other loans for the same period.

#### Enhancement of cluster marketing to customers in emerging industries

- With focus on new industries and new business forms, the Bank gained a foothold in industrial parks, hi-tech development zones and characteristic towns with a higher degree of clustering of small and micro enterprises. It supported new business forms with regional characteristic, through product innovation and efficient processes.
- As of the end of June, 2018, the balance of small and micro enterprise loans granted by the Company for new industries was RMB50.1 billion, representing an increase of RMB7.9 billion or 15.63% as compared to the beginning of the year.

#### Promoting the transformation of business offline to online

- Continuously promoted a new-generation online process. It reduced service costs, and improved customer experience and the service efficiency, through promotion of “Rongchatong (融查通)”, “e-application” and other mobile operation tools and applications of online processes.
- Made efforts to promote “Easy Loan (点易贷)”, a purely online business, to comprehensively enhance the popularity and convenience of small and micro finance.

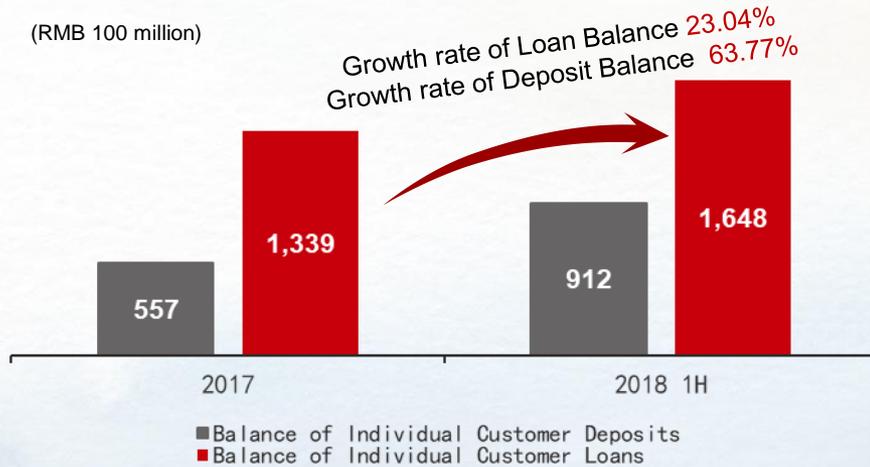
#### Continuously increasing the customer value with comprehensive service

- Actively promoted the application of “Asset Pool”, the accounts receivable chain platform, international business and other products among small and micro enterprises.
- As of the end of June 2018, there were 4,488 small and micro enterprise customers signing for an asset pool, with the total amount of RMB17.1 billion invested in the asset pool.
- Improved the settlement experience of customers and the customer stickiness, flexibly using “Zenglijia (增利加)”, Zhanghutong (账户通), small and micro settlement card (小微结算通卡) and other non-credit products.

## 4. Continuous innovations on retail banking business with a wealth management bank taking shape

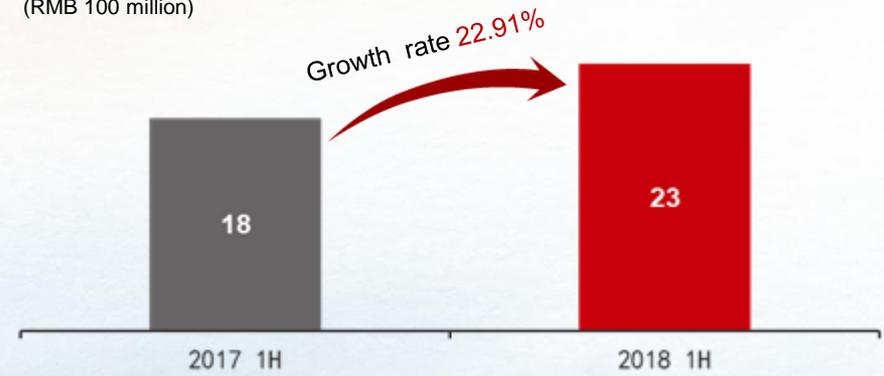
### Balance of Individual Customer Loans and Deposits

(RMB 100 million)



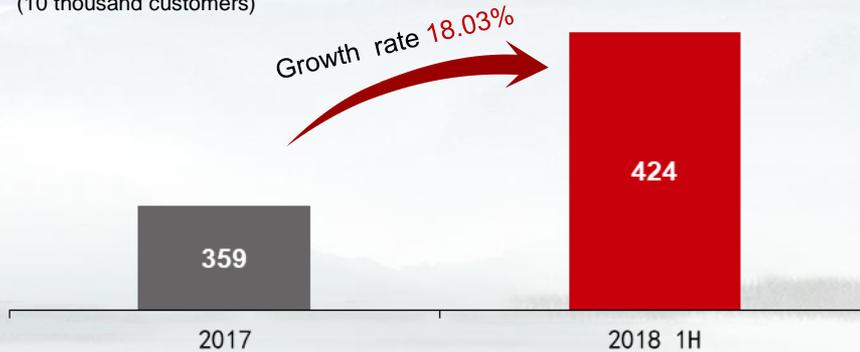
### Operating Revenues on retail banking business

(RMB 100 million)



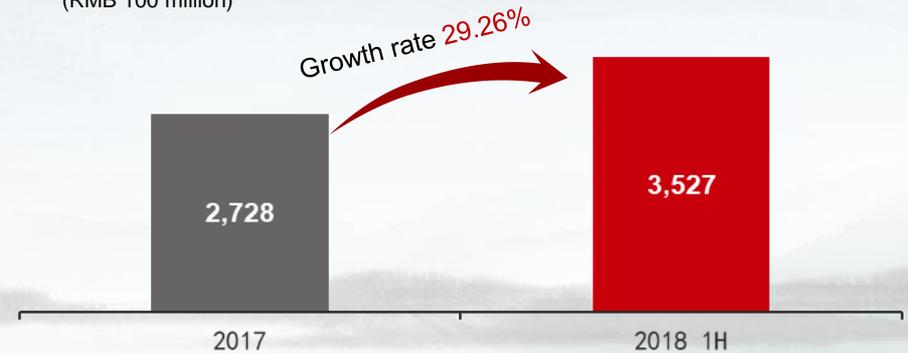
### Total Active Individual Customers

(10 thousand customers)



### Balance of Individual Financial Assets

(RMB 100 million)



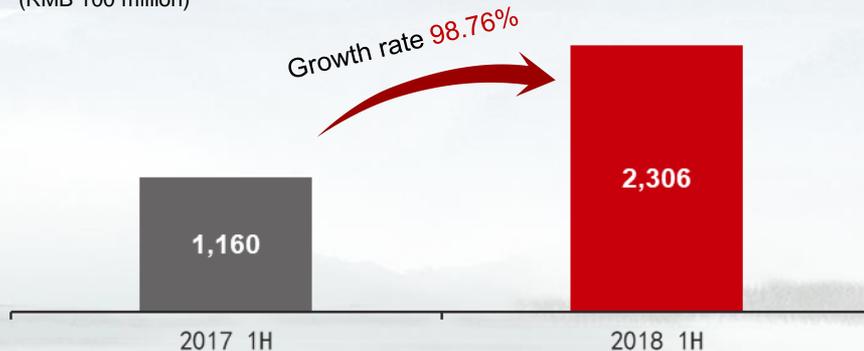
## 4. Continuous innovations on retail banking business with a wealth management bank taking shape (Cont)

### Continuously improving its wealth management capability

- With focus on “Finance Market” and “Wealth Cloud”, the Bank provided customers with comprehensive liquidity solutions, in conjunction with the wealth management products including Yongle Finance (永乐理财), Characteristic Deposit and investment agency product.
- As of the end of June 2018, the personal wealth management balance was RMB230.6 billion, accounting for 73.41% of wealth management balance of the Bank and representing an increase of 98.76% as compared to that in the same period of the previous year. Balance of featured deposits was RMB43.6 billion, representing an increase of 145.13% as compared to that at the beginning of the year
- Business transformation of balance-wealth management innovative product “Zengjinbao” (增金宝) was complete. The balance was RMB16.8 billion, representing a decrease of 49.29% as compared to that at the beginning of the year

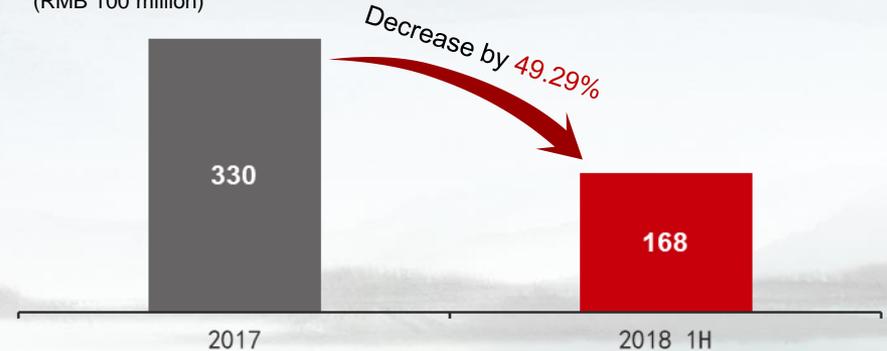
#### Balance of Personal Finance

(RMB 100 million)



#### Balance of Zengjinbao (增金宝)

(RMB 100 million)



## 4. Continuous innovations on retail banking business with a wealth management bank taking shape (Cont)

### Accelerate promotion of private banking system building

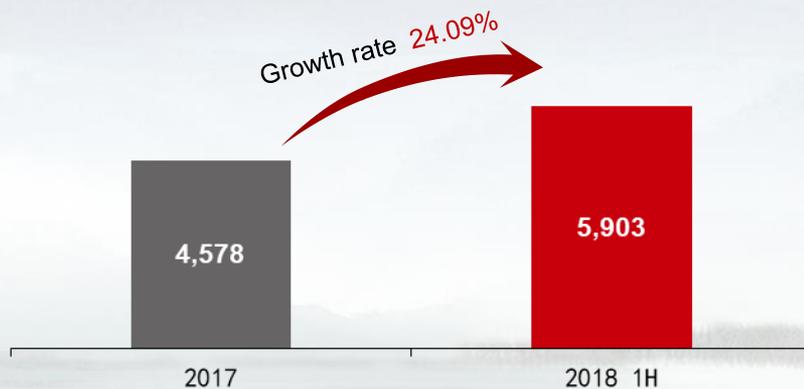
- Keep promoting private bank exclusive investment and wealth management products with controllable risk, high earnings and wealth management diversified terms
- Spare no effort to build “airport and high-speed train 7x24h free exclusive taxi” service, “Z20” high-end series of activities and other value added services
- As of the end of June 2018, there were 5,903 private banking customers with monthly average balance of financial assets of more than RMB6 million, representing an increase of 24.09% as compared to that at the beginning of the year.

### Credit card business positively follows market changes

- Focusing on customer demand, the Bank successively promoted “Feiniu Card”, “Qinghe Card” and other theme bo-branded cards, upgraded rights and interests related to automobile cards, and promoted “Yiqiqu” and “Zhouzhoushua” themed marketing activities and “Carefree Drawback” services
- The Bank successfully launched Zheshang Credit Card APP online, developed and promoted new credit E card and realized real-time card issuing
- As of the end of June 2018, a total of 3.14 million cards were issued with 640,000 newly issued cards and realized a consumption of RMB 26.3 billion with an RMB12.4 billion overdraft.

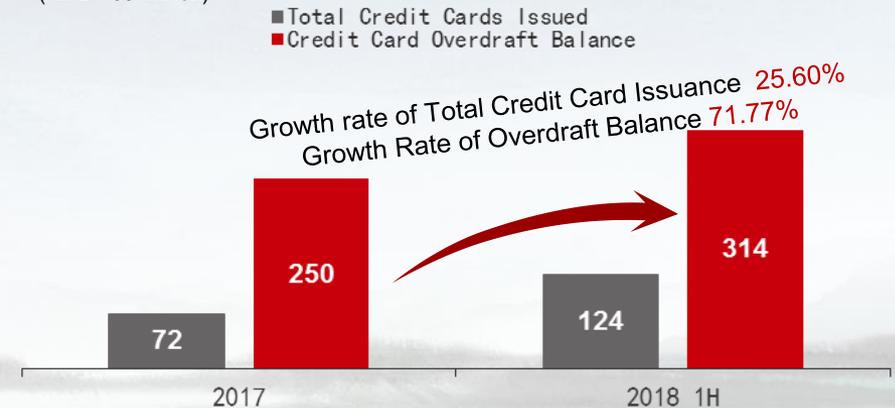
### Personal banking customers with monthly average balance of financial asset of RMB6 million or more

(10 thousand customers)



### Credit Card Issuance and Consumption

(RMB 100 million)



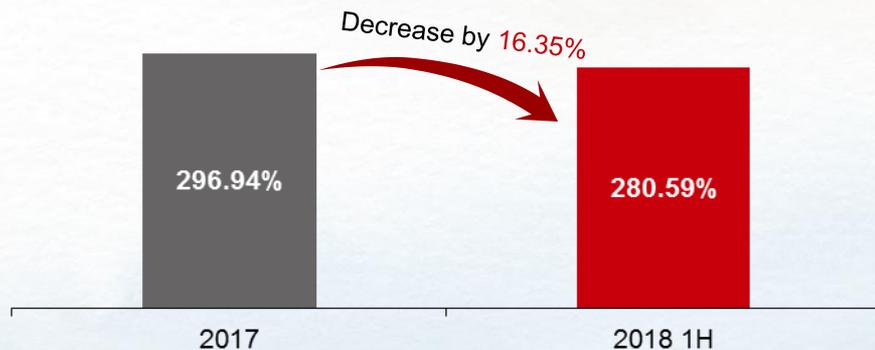
# Table of Contents

- I Overview of the Bank
- II Financial Performance
- III Business Development
- IV Risk Management**

# Stable and Fine Risk Control with Further Enhanced Steady Management

## Continuously Leading Asset Quality

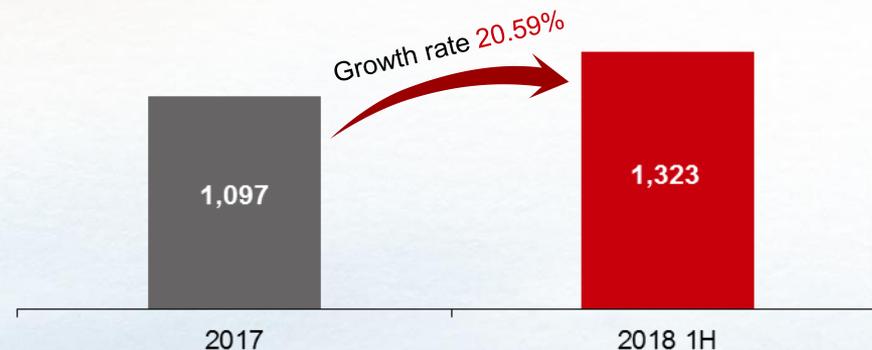
### Allowance to Non-performing Loans



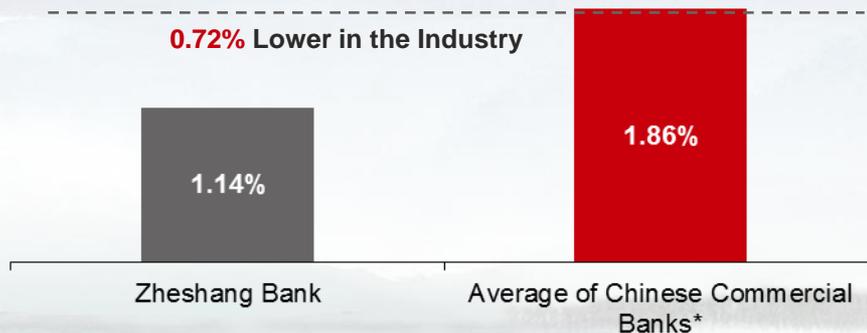
## Further enhanced capital strength

(RMB 100 million)

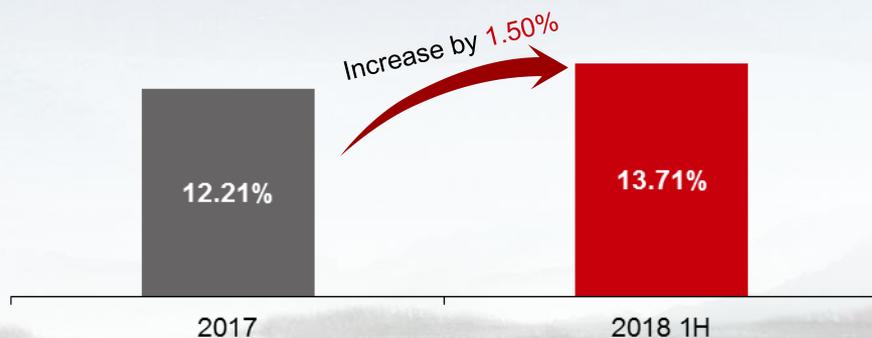
### Total Capital (net of deduction)



### Non-performing Loan Ratio



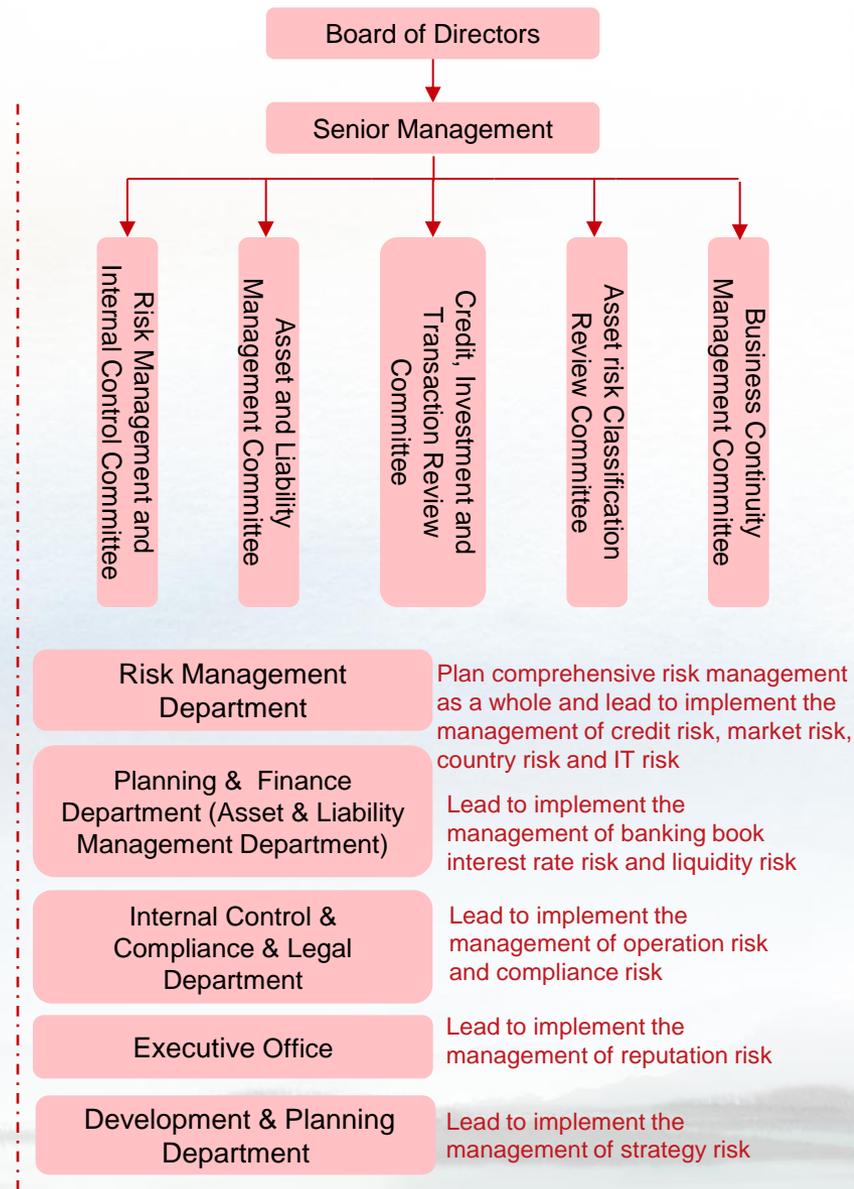
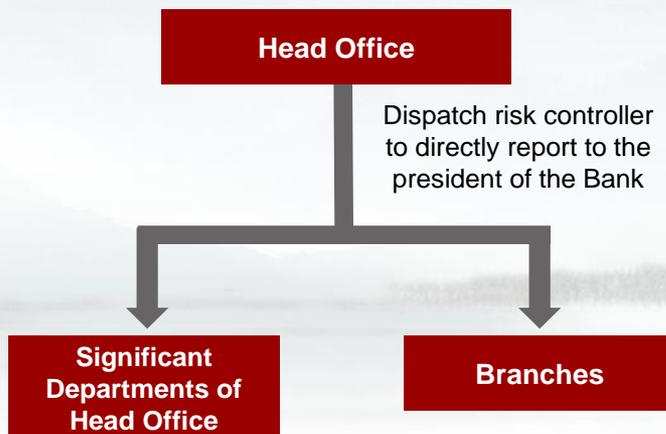
### Capital Adequacy



\* The data come from the website of CBIRC. This is the average non-performing loan ratio for the Chinese commercial banks at the end of June 2018.

# Build a comprehensive risk management system

- The Bank adopts an “active and solid” risk appetite and optimizes risk returns by actively adjusting the structure, operating by law and innovating management approaches, with a view to achieving a balance between capital, risk and return, as well as assets and liabilities. The Bank gradually improves the comprehensive risk management system that is in line with the full-asset class operation strategy
- The Bank’s Board of Directors takes the ultimate responsibility for comprehensive risk management; the Board of Supervisors is responsible for supervision of comprehensive risk management and the Senior Management takes the responsibility for implementing comprehensive risk management. The Senior Management has subordinate deliberative institutions such as risk management and internal control committee, etc.
- The risk management department at our head office is the general department for comprehensive risk management, leading the implementation of management of various risks with the Planning and Finance Department(Asset and Liability Management Department) at our Head Office and other departments.
- Dispatch risk controllers to departments and branches with highly complicated business and rather concentrated risks independent from the dispatched department of head office or branch. Directly report to the president of Head Office.



## Build a comprehensive risk management system (Cont)

### Exercise Unified Credit Extension Management

- The Bank implements unified credit management and keeps reinforcing credit extension system building, formulates unified total financing balance management, penetration management and other systems for group customers, and reinforces comprehensive management and control of total financing balance for group customers and meanwhile continuously enhances loan risk management of local government financing platform, real estate and excess capacity industries.
- For small and micro enterprises, the Bank keeps reinforcing risk management and risk mitigation measures. Overdue tracking, field and non-field monitoring and other measures are taken to strictly control overdue loan and non-performing loan.
- As for retail business, the Bank positively builds the credit evaluation system for individual loans and improves the management mechanism of credit risk of individual loans.
- The Bank also includes customer credit risk involved in inter-bank business into unified credit extension management.

### Continuously Improve Risk Management System Building

- The Bank has formulated corresponding basic systems and management measures on risk management for credit risk, market risk, liquidity risk, operation risk, country risk, banking book interest rate risk, reputation risk, strategy risk, IT risk and compliance risk, etc., keeps revising to improve the aforesaid systems and measures based on the result of business development and risk management, gradually builds a comprehensive risk management system and provides forceful guarantee for healthy and sustainable development of business.



Thank you

