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Bank of Zhengzhou Co., Ltd.*

鄭州銀行股份有限公司*

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

(H Shares Stock Code: 6196)

(Preference Shares Stock Code: 4613)

FIRST QUARTERLY REPORT OF 2019

The board of directors (the “**Board**”) of Bank of Zhengzhou Co., Ltd.* (the “**Bank**”) hereby announces the unaudited first quarterly results of the Bank and its subsidiaries for the three months ended 31 March 2019 (the “**Reporting Period**”), which was prepared in accordance with the International Financial Reporting Standards (“**IFRS**”). This announcement is made in accordance with Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By order of the Board
Bank of Zhengzhou Co., Ltd.*
WANG Tianyu
Chairman

Zhengzhou, Henan, China
30 April 2019

As at the date of this announcement, the Board comprises Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. FENG Tao as executive directors, Mr. FAN Yutao, Mr. ZHANG Jingguo, Mr. JI Hongjun, Mr. LIANG Songwei and Mr. WANG Shihao as non-executive directors, Mr. XIE Taifeng, Mr. WU Ge, Ms. CHAN Mei Bo Mabel and Ms. LI Yanyan as independent non-executive directors.

* *The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking and/or deposit-taking business in Hong Kong.*

SECTION I IMPORTANT NOTICES

- I. The Board, the board of supervisors, directors, supervisors and senior management of the Bank warrant the truthfulness, accuracy and completeness of the contents of this first quarterly report of 2019 of the Bank (the “**Quarterly Report**”), and that there are no false representations or misleading statements contained in or material omissions from the Quarterly Report, and they jointly and severally accept responsibility for this report.
- II. On 29 April 2019, the Quarterly Report was considered and approved at the fifth meeting of the sixth session of the Board. There were 12 directors eligible for attending the meeting, of whom 12 directors attended the meeting in person.
- III. Financial information set out in the Quarterly Report has been prepared in accordance with the IFRS. Unless otherwise specified, the financial information contained herein was derived from the consolidated financial statements of the Bank and its subsidiaries, i.e. Henan Jiuding Financial Leasing Co., Ltd., Fugou Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd., Xunxian Zhengyin County Bank Co., Ltd. and Queshan Zhengyin County Bank Co., Ltd. (collectively, the “**Group**” or “**Bank**”).
- IV. Mr. WANG Tianyu, the legal representative and chairman of the Board, Mr. SHEN Xueqing, the president, Ms. MAO Yuezhen, the person-in-charge of accounting, and Mr. ZHANG Zhiyong, the head of accounting department of the Bank hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements in the Quarterly Report.
- V. The quarterly financial report of the Bank has not been audited.

SECTION II BASIC INFORMATION

I. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(I) Major accounting data

In January 2016, the International Accounting Standards Board amended and promulgated the IFRS 16 Leases (the “**New Accounting Standards for Leases**”), the effective date of which is 1 January 2019. The Bank has implemented the above standard when preparing the financial statements. The adoption of the New Accounting Standards for Leases has no significant impact on the financial position and operating results of the Bank.

During the Reporting Period, the Bank is not required to make retrospective adjustments to or restatements of the accounting data of the previous years.

Unit: RMB'000

Item	January to March 2019	January to March 2018	Increase/ decrease as compared with the corresponding period of the previous year (%)
Operating income ⁽¹⁾	2,852,186	2,548,898	11.90
Net profit attributable to shareholders of the Bank	1,047,174	1,155,205	(9.35)
Net cash flows generated from/(used in) operating activities	5,981,824	(5,079,971)	(217.75)
Net cash flows generated from/(used in) operating activities per share (RMB/Share)	1.01	(0.95)	(206.32)
Basic earnings per share (RMB/Share) ⁽²⁾	0.18	0.22	(18.18)
Diluted earnings per share (RMB/Share)	0.18	0.22	(18.18)
Weighted average return on net assets (%) (on annualized basis) ⁽²⁾	14.26	19.19	Decreased by 4.93 percentage points

Notes:

- (1) Operating income includes net interest income, net fee and commission income, net trading (losses)/gains, net gains arising from investments and other operating income.
- (2) Basic earnings per share and weighted average return on net assets are calculated according to Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision).
- (3) The relevant indicators are arrived at by calculating in accordance with the relevant requirements under Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.13): Contents and Formats of Quarterly Reports (2016 Revision).

Unit: RMB'000

Scale indicators	31 March 2019	31 December 2018	Increase/ decrease as compared with the end of the previous year (%)
Total assets	487,364,544	466,142,418	4.55
Loans and advances to customers			
Corporate loans	117,012,083	107,861,781	8.48
Personal loans	46,750,661	43,919,211	6.45
Discounted bills	9,016,509	7,791,800	15.72
Gross loans and advances to customers	172,779,253	159,572,792	8.28
Add: Accrued interests	631,334	489,560	28.96
Less: Provision for impairment losses ⁽¹⁾	6,641,400	6,062,971	9.54
Book value of loans and advances to customers	166,769,187	153,999,381	8.29
Total liabilities	448,373,420	428,278,919	4.69
Deposits from customers			
Corporate deposits	178,383,721	166,080,520	7.41
Personal deposits	88,448,934	79,716,587	10.95
Other deposits	22,460,576	18,333,827	22.51
Total deposits from customers	289,293,231	264,130,934	9.53
Add: Accrued interests	3,996,358	3,627,272	10.18
Book value of deposits from customers	293,289,589	267,758,206	9.54
Share capital	5,921,932	5,921,932	-
Shareholders' equity	38,991,124	37,863,499	2.98
Equity attributable to shareholders of the Bank	37,749,227	36,649,739	3.00
Equity attributable to ordinary shareholders of the Bank	29,923,719	28,824,231	3.81
Net assets per Share attributable to ordinary shareholders of the Bank (RMB/Share)	5.05	4.87	3.70

Note:

- (1) Provision for impairment losses excludes provision for impairment losses on forfeiting and discounted bills, which was included in other comprehensive income.

(II) Explanations on differences between consolidated financial statements prepared in accordance with IFRSs and China Accounting Standards for Business Enterprises

There are no differences between the net profit attributable to shareholders of the Bank for the Reporting Period ended 31 March 2019 and the equity attributable to shareholders of the Bank as at the end of the Reporting Period as presented in the Group's consolidated financial statements prepared under IFRSs and those prepared under China Accounting Standards for Business Enterprises.

(III) Supplementary financial indicators

Regulatory indicators	Regulatory standards	31 March 2019	31 December 2018	31 December 2017	31 December 2016
Core Tier-one capital adequacy ratio (%) ⁽¹⁾	≥7.5	8.26	8.22	7.93	8.79
Tier-one capital adequacy ratio (%) ⁽¹⁾	≥8.5	10.47	10.48	10.49	8.80
Capital adequacy ratio (%) ⁽¹⁾	≥10.5	13.17	13.15	13.53	11.76
Leverage ratio (%) ⁽²⁾	≥4	6.60	6.79	6.49	5.15
Liquidity coverage ratio (%) ⁽²⁾	≥100	273.84	304.42	225.20	256.91
Liquidity ratio (%) ⁽²⁾	≥25	47.68	56.39	61.72	40.61
Non-performing loan ratio (%) ⁽³⁾	≤5	2.46	2.47	1.50	1.31
Allowance to non-performing loans (%) ⁽³⁾	≥150	157.31	154.84	207.75	237.38
Allowance to total loans (%) ⁽³⁾	≥2.5	3.88	3.82	3.11	3.11
Loan to deposit ratio (%) ⁽²⁾		65.05	66.06	50.29	51.34
Return on total assets (%) (on annualized basis)		0.90	0.69	1.08	1.28
Cost-to-income ratio (%)		31.03	28.06	26.18	22.26

Notes:

- (1) The capital adequacy ratios are calculated and disclosed by the Bank in accordance with Administrative Measures for the Capital of Commercial Banks (Trial Implementation) (CBRC Order No.1 of 2012).
- (2) Among the above regulatory indicators, leverage ratio, liquidity coverage ratio, liquidity ratio and loan to deposit ratio are all calculated in accordance with the requirements of the regulators.
- (3) Non-performing loan ratio was calculated by dividing total non-performing loan principal (excluding accrued interests) by gross loans and advances to customers (excluding accrued interests); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loan principal (excluding accrued interests); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by gross loans and advances to customers (excluding accrued interests).

(IV) Analysis on capital adequacy ratios

Unit: RMB'000

Item	31 March 2019	31 December 2018
Net core tier-one capital	29,409,506	28,712,291
Net tier-one capital	37,309,474	36,618,138
Net tier-two capital	9,588,651	9,340,324
Net total capital	46,898,125	45,958,462
Total risk-weighted assets	356,219,968	349,504,822
Core tier-one capital adequacy ratio (%)	8.26	8.22
Tier-one capital adequacy ratio (%)	10.47	10.48
Capital adequacy ratio (%)	13.17	13.15

(V) Analysis on liquidity coverage ratio

Unit: RMB'000

Item	31 March 2019
Qualified quality liquid assets	6,512,947
Net cash outflow for the next 30 days	2,378,389
Liquidity coverage ratio (%)	273.84

(VI) Analysis on the five-category loan classification

Unit: RMB'000

Five-category loan classification	31 March 2019		31 December 2018		Change (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Normal	164,383,699	95.14	150,934,330	94.59	8.91
Special-mention	4,138,490	2.40	4,700,526	2.95	(11.96)
Sub-standard	3,032,600	1.75	2,859,261	1.79	6.06
Doubtful	1,207,792	0.70	1,073,407	0.67	12.52
Loss	16,672	0.01	5,268	—	216.48
Total	172,779,253	100	159,572,792	100	8.28

II. MANAGEMENT DISCUSSION AND ANALYSIS

In the first quarter of 2019, as all employees of the Bank gathered strength to face difficulties with aggressive spirits and actions, all businesses maintained steady momentum of development, which laid a good foundation for the completion of the annual work objectives.

(I) Steady improvement in main operation indicators

Abandoning the scale-centered development strategy, the Bank operates based on the policies such as **“keeping profit growth, non-performing loan ratio and featured business stable, improving asset returns, controlling the cost of debt and reducing capital consumption”**, which clarify the direction of high-quality development. As at the end of March 2019, the Bank’s scale of assets amounted to RMB487,365 million, representing an increase of RMB21,222 million or 4.55% over the beginning of the year and the Bank recorded gross loans and advances to customers of RMB172,779 million, representing an increase of RMB13,206 million or 8.28% over the beginning of the year; balance of gross deposits from customers of RMB289,293 million, representing an increase of RMB25,162 million or 9.53% over the beginning of the year; total profit before provision of RMB1,951 million, representing a year-on-year increase of 5.41%. The non-performing loan ratio, allowance to non-performing loans and capital adequacy ratio were 2.46%, 157.31% and 13.17%, respectively. Major regulatory indicators meet regulatory requirements.

(II) Quality and efficiency enhancement of the “Three featured business”

In respect of trade finance, the Bank launched the “Cloud Business” platform, registered the trademark of “Five-Clouds” and made significant progress in the set-up of function of the “Five-Clouds” and the intellectual property protection. The Bank straightened out pricing management process, fully introduced the mechanism of visiting and assuming all-round responsibilities by product managers for certain areas, vigorously promoted the markets to institutional customers and upstream and downstream customers and carried out sales inspection in branches continuously. As at the end of March 2019, the balance of corporate deposits amounted to RMB178,384 million, representing an increase of RMB12,303 million or 7.41% as compared with the beginning of the year. For financial services for residents, the Bank continued to deepen and enhance the inspection, training and on-site supervision mechanism. It launched three net-worth wealth management products and the Shangding Lucky Card (商鼎瑞卡). As at the end of March 2019, the number of cumulative credit cards issued was 347,600 with 70,000 new credit cards issued in the first quarter of 2019, representing an increase of 25.22%; the assets-under-management (AUM) balance amounted to RMB113,981 million, representing an increase of RMB11,980 million or 11.74% as compared with the beginning of the year; the balance of saving deposits amounted to RMB88,449 million, representing an increase of RMB8,732 million or 10.95% as compared with the beginning of the year. In terms of financial services for small and micro enterprises, the Bank built 43 special teams for providing financial services for small and micro enterprises, started the construction of a new generation of retail credit system, established the management mechanism for sales to small and micro enterprises and successfully completed the regulatory objective of “two increases and two controls”.

(III) Continuously excellent social assessments

In the first quarter of 2019, the Bank received good social assessments. The Bank ranked 6th in the comprehensive evaluation of city commercial banks with an asset scale of more than RMB200 billion in 2018 for the ranking of the GYROSCOPE evaluation system of the China Banking Association. The Bank ranked 44th in the “2018 China Banking Top 100 List (2018 中國銀行業100強榜單)”, 3 places up from that in 2017. The Bank ranked 315th in the list of “Global Banking 500 (by Brand Value) (全球銀行品牌價值500強)” issued by The Banker, a UK magazine, in 2019, 31 places up from that in the last year. The Bank was awarded the title of “Best Financial Institution of China’s Supply Chain Finance in 2019 (2019年中國供應鏈金融最佳金融機構)” in the “The Sixth China’s Supply Chain Finance Innovation Summit (CSCFIS) 2019”.

III. TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDING OF THE TOP TEN SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

(I) Total number of holders of ordinary shares, shareholding of the top ten holders of ordinary shares and shareholding of the top ten holders of ordinary shares not subject to trading moratorium

As at the end of the Reporting Period, the Bank had a total of 170,982 holders of ordinary shares, of which, holders of H shares and A shares were 58 and 170,924, respectively.

Unit: share

Name of shareholder	Nature of shareholder	Type of shares	Shareholding of the top ten holders of ordinary shares		Number of shares held subject to trading moratorium	Pledged or frozen	
			Number of shares held	Shareholdings percentage (%)		Status of shares	Number
HKSCC Nominees Limited ⁽²⁾	Overseas legal person	H shares	1,517,868,830	25.63	–	Unknown	Unknown
Zhengzhou Finance Bureau (鄭州市財政局)	State-owned	A shares	490,904,755	8.29	490,904,755	Pledged	220,900,000
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non-state-owned legal person	A shares	262,000,000	4.42	262,000,000	Pledged	262,000,000
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non-state-owned legal person	A shares	250,000,000	4.22	250,000,000	Pledged	124,999,990
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A shares	239,426,471	4.04	239,426,471	–	–
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic non-state-owned legal person	A shares	226,000,000	3.82	226,000,000	Pledged	135,600,000
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A shares	215,678,764	3.64	215,678,764	–	–
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non-state-owned legal person	A shares	199,046,474	3.36	199,046,474	Pledged	149,500,000
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	A shares	114,697,149	1.94	114,697,149	–	–
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non-state-owned legal person	A shares	100,000,000	1.69	100,000,000	Pledged Frozen	10,000,000 75,000,000

**Shareholding of the top ten holders of
ordinary shares not subject to trading moratorium**

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the Reporting Period	Type of shares	
		Class of Shares	Number
HKSCC Nominees Limited ⁽²⁾	1,517,868,830	H shares	1,517,868,830
Xia Chongyang (夏重陽)	7,000,000	A shares	7,000,000
Jiang Xuedao (江學道)	6,122,900	A shares	6,122,900
Zhang Xubin (張旭彬)	4,438,900	A shares	4,438,900
Peng Yachao (彭亞超)	3,600,000	A shares	3,600,000
Huang Yi (黃宜)	3,200,500	A shares	3,200,500
Shanghai Muduo Investment & Management Co., Ltd. – Muduo Jinsheng Fund No. 3 (上海木鐸投資管理有限公司－木鐸金聲3號基金)	3,091,800	A shares	3,091,800
Shanghai Muduo Investment & Management Co., Ltd. – Muduo Jinsheng Fund No. 1 (上海木鐸投資管理有限公司－木鐸金聲1號基金)	1,978,400	A shares	1,978,400
Zhang Lei (張磊)	1,918,587	A shares	1,918,587
Xu Zhidi (許芝弟)	1,787,074	A shares	1,787,074

Notes on connected relations or concerted actions of the above shareholders	The Bank is not aware of any connected relationship among the above shareholders or any act-in-concert parties under the “Administration Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》)”.
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Notes on the top ten holders of ordinary shares participating in margin financing and securities lending business (if any)	None
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Notes:

- (1) The figures above are sourced from the register of shareholders of the Bank as at 31 March 2019.
- (2) The shares held by HKSCC Nominees Limited are held by it in the capacity of agent and represent the aggregate number of H shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

During the Reporting Period, none of the top ten holders of ordinary shares and the top ten holders of ordinary shares not subject to trading moratorium of the Bank carried out any agreed buy-back transaction.

(II) Total number of holders of off-shore preference shares and shareholding of the top ten holders of off-shore preference shares of the Bank

As at the end of the Reporting Period, the total number of holder of off-shore preference shares (or nominee) of the Bank amounted to one. During the Reporting Period, there was no resumption of voting rights for off-shore preference shares of the Bank.

Unit: share

Shareholding of the top ten holders of off-shore preference shares						Pledged or frozen	
Name of shareholder	Nature of shareholder	Type of shares	Number of shares held	Shareholdings percentage ⁽⁴⁾ (%)	Number of shares held subject to trading moratorium	Status of shares	Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	Off-shore preference shares	59,550,000	100	-	Unknown	Unknown

Notes:

- (1) The figures above are sourced from the register of members of off-shore preference shares of the Bank as at 31 March 2019.
- (2) The above off-shore preference shares were issued by way of private offering, and the register of off-shore preference shareholders presented the information on nominees of placees.
- (3) The Bank is not aware of any connected relationship among the above holder of off-shore preference shares, top ten holders of ordinary shares and top ten holders of ordinary shares not subject to trading moratorium or any act-in-concert parties under the “Administration Measures on the Acquisition of Listed Companies”.
- (4) “Shareholdings percentage” refers to the percentage of the number of off-shore preference shares held by holder of off-shore preference shares to the total number of off-shore preference shares.

SECTION III SIGNIFICANT EVENTS

I. CHANGES OF MORE THAN 30% IN MAJOR FINANCIAL DATA AND FINANCIAL INDICATORS DURING THE REPORTING PERIOD AND THE REASONS THEREFOR

Unit: RMB'000

Item	31 March 2019	31 December 2018	Increase/ decrease as compared with that at the end of the previous year (%)	Main reason
Financial assets held under resale agreements	6,061,793	3,452,125	75.60	The adjustments made by the Bank to the structure of such assets after taking into comprehensive consideration the need for matching assets and liabilities and the market liquidity.
Derivative financial assets	38,610	231,551	(83.33)	Mainly due to the maturity of certain derivative financial instruments at the end of the Reporting Period.
Derivative financial liabilities	10,013	38,501	(73.99)	
Tax payables	718,111	428,752	67.49	Mainly due to the increase in corporate income tax payable.
Fair value reserve	90,904	38,590	135.56	Mainly due to the increase in changes in the fair value of loans and advances to customers measured at fair value through other comprehensive income.

Item	January to March 2019	January to March 2018	Increase/ decrease as compared with the corresponding period of the previous year (%)	Main reason
Fee and commission expense	(30,475)	(11,612)	162.44	Mainly due to the increase in the scale of agency and settlement businesses.
Net trading (losses)/gains	(68,676)	50,726	(235.39)	Mainly due to changes in the fair value of financial investments and derivative financial instruments measured at fair value through profit or loss.
Net gains arising from investments	645,728	415,112	55.56	
Other operating income	9,225	4,276	115.74	Increase in the non-operating income for the period as compared with the corresponding period of the previous year.
Impairment losses on credit	(601,753)	(378,381)	59.03	Mainly due to the fact that the Bank included all loans overdue for more than 90 days in non-performing loans in accordance with regulatory requirements and made provision for non-performing loans.
Non-controlling interests	27,647	3,582	671.83	Increase in the profits of the controlling subsidiaries for the period as compared with the corresponding period of the previous year.
Net cash flows generated from/(used in) operating activities	5,981,824	(5,079,971)	(217.75)	Mainly due to the increase in net cash inflows from the repurchase business.
Net cash flows generated from investing activities	910,480	1,979,053	(53.99)	Mainly due to the increase in cash paid for investments.
Net cash flows (used in)/generated from financing activities	(7,064,878)	1,816,265	(488.98)	Mainly due to the decrease in net cash received from interbank deposits issued as compared with the corresponding period of the previous year.

II. ANALYSIS AND EXPLANATION ON THE PROGRESS OF SIGNIFICANT EVENTS AND THEIR IMPACTS AND SOLUTIONS

Save as disclosed in the Quarterly Report, the announcements and circulars of the Bank, the Bank had no other significant events which should be disclosed during the Reporting Period.

During the Reporting Period, the Bank did not repurchase any share or reduce buy-back shares through centralized bidding.

III. UNDERTAKINGS NOT FULLY PERFORMED BY THE BANK'S DE FACTO CONTROLLER, SHAREHOLDERS, CONNECTED PARTIES, PURCHASERS AND THE BANK DURING THE REPORTING PERIOD

There are no undertakings not fully performed by the Bank's de facto controller, shareholders, connected parties, purchasers and the Bank during the Reporting Period.

IV. FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE

Unit: RMB'000

Item	Amount as at the beginning of the Reporting Period	Profit or loss arising from changes in fair value during the Reporting Period	Accumulated changes in fair value included in equity	Impairment charged during the Reporting Period	Amount as at the end of the Reporting Period
Financial investments at fair value through profit or loss (excluding derivative financial assets)	60,032,975	355,316	–	–	66,162,287
Financial investments at fair value through other comprehensive income	8,175,758	–	14,832	(87)	7,521,634
Derivative financial assets	231,551	(87,750)	–	–	38,610
Subtotal of financial assets	68,440,284	267,566	14,832	(87)	73,722,531
Derivative financial liabilities	38,501	(76,691)	–	–	10,013
Subtotal of financial liabilities	38,501	(76,691)	–	–	10,013

V. IRREGULAR EXTERNAL GUARANTEES

The Bank had no irregular external guarantees during the Reporting Period.

VI. MISAPPROPRIATION OF THE BANK'S FUNDS BY ITS CONTROLLING SHAREHOLDERS AND RELATED PARTIES FOR NON-OPERATIONAL PURPOSE

The Bank did not have a controlling shareholder, neither was there any misappropriation of the Bank's funds by its controlling shareholders or its related parties for non-operational purpose during the Reporting Period.

VII. RECEPTION OF SURVEY RESEARCH, COMMUNICATIONS AND INTERVIEWS DURING THE REPORTING PERIOD

There is no reception of survey research, communications and interviews by the Bank during the Reporting Period.

SECTION IV RELEASE OF QUARTERLY REPORT

The Quarterly Report is published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.zzbank.cn). The first quarterly report of the Bank prepared in accordance with China Accounting Standards for Business Enterprises is also published on the website of the Shenzhen Stock Exchange (www.szse.cn) and the website of the Bank (www.zzbank.cn).

FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

For the three months ended 31 March 2019 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Three months ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
Interest income	5,115,247	4,635,649
Interest expense	(3,211,259)	(3,024,991)
Net interest income	1,903,988	1,610,658
Fee and commission income	392,396	479,738
Fee and commission expense	(30,475)	(11,612)
Net fee and commission income	361,921	468,126
Net trading (losses)/gains	(68,676)	50,726
Net gains arising from investments	645,728	415,112
Other operating income	9,225	4,276
Operating income	2,852,186	2,548,898
Operating expenses	(912,539)	(710,837)
Impairment losses on credit	(601,753)	(378,381)
Operating profit	1,337,894	1,459,680
Share of profits of associates	11,709	13,184
Profit before taxation	1,349,603	1,472,864
Income tax expense	(274,782)	(314,077)
Profit for the period	1,074,821	1,158,787

Consolidated statement of profit or loss and other comprehensive income*For the three months ended 31 March 2019 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Three months ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
Net profit attributable to:		
Equity shareholders of the Bank	1,047,174	1,155,205
Non-controlling interests	27,647	3,582
	1,074,821	1,158,787
Profit for the period	1,074,821	1,158,787
Other comprehensive income:		
Other comprehensive income net of tax attributable to equity shareholders of the Bank	52,314	17,492
Items that may be reclassified subsequently to profit or loss		
-Net gains from debt instruments measured at fair value through other comprehensive income	52,314	17,492
Non-controlling interests	490	318
Other comprehensive income net of tax	52,804	17,810
Total comprehensive income	1,127,625	1,176,597
Total comprehensive income attributable to:		
Equity shareholders of the Bank	1,099,488	1,172,697
Non-controlling interests	28,137	3,900
	1,127,625	1,176,597
Basic and diluted earnings per share (in RMB)	0.18	0.22

Consolidated statement of financial position*At 31 March 2019 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	31 March 2019 (unaudited)	31 December 2018 (audited)
Assets		
Cash and deposits with central bank	43,898,294	46,224,453
Deposits with banks and other financial institutions	2,236,427	2,156,931
Placements with banks and other financial institutions	4,884,506	3,768,759
Derivative financial assets	38,610	231,551
Financial assets held under resale agreements	6,061,793	3,452,125
Loans and advances to customers	166,769,187	153,999,381
Financial investments:		
Financial investments at fair value through profit or loss	66,162,287	60,032,975
Financial investments at fair value through other comprehensive income	7,521,634	8,175,758
Financial investments measured at amortised cost	169,676,839	167,830,054
Finance lease receivables	13,114,923	13,710,666
Interest in associates	332,789	321,081
Property and equipment	2,114,055	2,081,350
Deferred tax assets	1,947,787	1,947,787
Other assets	2,605,413	2,209,547
Total assets	487,364,544	466,142,418

Consolidated statement of financial position*At 31 March 2019 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	31 March 2019 (unaudited)	31 December 2018 (audited)
Liabilities		
Due to central bank	4,181,671	4,196,194
Deposits from banks and other financial institutions	26,043,621	27,398,665
Placements from banks and other financial institutions	12,943,889	13,652,888
Derivative financial liabilities	10,013	38,501
Financial assets sold under repurchase agreements	20,937,296	18,956,133
Deposits from customers	293,289,589	267,758,206
Tax payable	718,111	428,752
Debt securities issued	87,412,555	93,649,019
Other liabilities	2,836,675	2,200,561
	<hr/>	<hr/>
Total liabilities	448,373,420	428,278,919
	<hr/>	<hr/>
Equity		
Share capital	5,921,932	5,921,932
Other equity instruments		
Include: preference shares	7,825,508	7,825,508
Capital reserve	5,163,655	5,163,655
Surplus reserve	2,356,214	2,356,214
General reserve	5,870,320	5,870,320
Fair value reserve	90,904	38,590
Remeasurement of net defined benefit liability	(44,492)	(44,492)
Retained earnings	10,565,186	9,518,012
	<hr/>	<hr/>
Total equity attributable to equity shareholders of the Bank	37,749,227	36,649,739
Non-controlling interests	1,241,897	1,213,760
	<hr/>	<hr/>
Total equity	38,991,124	37,863,499
	<hr/>	<hr/>
Total liabilities and equity	487,364,544	466,142,418
	<hr/>	<hr/>

Consolidated cash flow statement*For the three months ended 31 March 2019 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Three months ended 31 March	
	2019	2018
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before tax	1,349,603	1,472,864
<i>Adjustments for:</i>		
Impairment losses on credit	601,753	378,381
Depreciation and amortisation	114,253	72,780
Unrealised foreign exchange losses	218,275	339,616
Net losses from disposal of long-term assets	115	–
Net trading losses/(gains) of financial investments at fair value through profit or loss	2,156	(398,091)
Net gains arising from investments	(619,584)	(415,112)
Share of profits of associates	(11,709)	(13,184)
Interest expense on debt securities issued	851,060	865,709
Interest income on financial investments	(2,368,984)	(2,270,001)
Other non-cash movements	–	15,104
	136,938	48,066
<i>Changes in operating assets</i>		
Net decrease in deposits with central bank	968,299	1,048,421
Net (increase)/decrease in deposits and placements with banks and other financial institutions	(296,763)	2,609,004
Net increase in financial investments at fair value through profit or loss	(5,057,775)	(827,234)
Net increase in loans and advances to customers	(13,276,633)	(3,973,221)
Net (increase)/decrease in financial assets held under resale agreements	(2,608,277)	4,247,470
Net decrease/(increase) in finance lease receivables	595,743	(1,693,136)
Net increase in other operating assets	(573,699)	(887,343)
	(20,249,105)	523,961

Consolidated cash flow statement*For the three months ended 31 March 2019 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)***Three months ended 31 March**

	2019	2018
	(unaudited)	(unaudited)
<i>Changes in operating liabilities</i>		
Net (decrease)/increase in amounts due to central bank	(14,522)	500,000
Net (decrease)/increase in deposits and placements from banks and other financial institutions	(2,064,041)	397,203
Net increase/(decrease) in financial assets sold under repurchase agreements	1,981,163	(2,830,800)
Net increase/(decrease) in deposits from customers	25,531,382	(5,249,865)
Net increase in other operating liabilities	662,202	2,223,876
	<u>26,096,184</u>	<u>(4,959,586)</u>
Net cash flows generated from/(used in) operating	5,984,017	(4,387,559)
Income tax paid	(2,193)	(692,412)
Net cash flows generated from/(used in) operating activities	<u>5,981,824</u>	<u>(5,079,971)</u>
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	31,954,731	39,149,359
Proceeds from disposal of property and equipment and other assets	9,378	–
Payments on acquisition of investments	(33,057,421)	(39,832,147)
Cash received from investments	2,142,030	2,848,334
Payments on acquisition of property and equipment and other assets	(138,238)	(186,493)
Net cash flows generated from investing activities	<u>910,480</u>	<u>1,979,053</u>
Cash flows from financing activities		
Net proceeds received from debt securities issued	15,068,589	24,320,080
Repayment of debt securities issued	(21,222,813)	(21,783,335)
Interest paid on debt securities issued	(910,654)	(720,480)
Net cash flows (used in)/generated from financing activities	<u>(7,064,878)</u>	<u>1,816,265</u>
Net decrease in cash and cash equivalents	<u>(172,574)</u>	<u>(1,284,653)</u>

Consolidated cash flow statement*For the three months ended 31 March 2019 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Three months ended 31 March	
	2019 (unaudited)	2018 (unaudited)
Cash and cash equivalents as at 1 January	22,521,117	19,254,054
Effect of foreign exchange rate changes on cash and cash equivalents	<u>(285,960)</u>	<u>(129,349)</u>
Cash and cash equivalents as at 31 March	<u><u>22,062,583</u></u>	<u><u>17,840,052</u></u>
Net cash flows generated from operating activities include:		
Interest received	<u><u>2,778,196</u></u>	<u><u>2,417,011</u></u>
Interest paid	<u><u>(2,382,849)</u></u>	<u><u>(2,061,769)</u></u>

ADJUSTMENT OF FINANCIAL STATEMENTS IN THE BEGINNING OF THE YEAR FOR IMPLEMENTATION OF THE NEW ACCOUNTING STANDARDS FOR LEASES FOR THE FIRST TIME

In accordance with the requirements of the New Accounting Standards for Leases, the Bank implemented the New Accounting Standards for Leases starting from 1 January 2019 by way of the prospective application method without retrospective adjustments of the comparative figures. As at 1 January 2019, the detailed impact of the New Accounting Standards for Leases on the financial statements of the Bank is as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Unit: RMB'000

Item	31 December 2018 (before revision)	1 January 2019 (after revision)	Adjustment
Right-of-use assets	–	492,353	492,353
Other assets	1,470,150	1,419,934	(50,216)
Lease liabilities	–	442,137	442,137
	<u> </u>	<u> </u>	<u> </u>