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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)

THIRD QUARTERLY REPORT OF 2019

The board of directors (the “**Board**”) of Bank of Zhengzhou Co., Ltd.* (the “**Bank**”) hereby announces the unaudited third quarterly results of the Bank and its subsidiaries for the nine months ended 30 September 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
29 October 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 third quarterly report of 2019 of the Bank (hereinafter referred to as the “**Report**”), and that there are no false representations or misleading statements contained in or material omissions from the Report, and they jointly and severally accept responsibility for the Report.
- II. On 28 October 2019, the Report was considered and approved at the seventh meeting of the sixth session of the Board. There were 12 directors eligible for attending the meeting, of whom 11 directors attended the meeting in person and 1 director attended by proxy. Mr. SHEN Xueqing (an executive director) appointed Mr. FENG Tao (an executive director) to attend the meeting and exercise the voting rights on his behalf.
- III. Financial information set out in the 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, Mr. Fu Chunqiao, the person-in-charge of accounting affairs, and Ms. GAO Chenxin, the head of accounting department of the Bank hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements in the 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

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	July to September 2019	Increase/ decrease as compared with the corresponding period of the previous year (%)	January to September 2019	Increase/ decrease as compared with the corresponding period of the previous year (%)
Operating income ⁽¹⁾	3,349,895	16.69	9,581,480	19.66
Net profit attributable to shareholders of the Bank	1,120,625	4.81	3,589,942	4.49
Net cash flows used in operating activities	(3,871,613)	(80.10)	(8,171,554)	(63.68)
Net cash flows used in operating activities per share (RMB/Share)	(0.65)	(82.24)	(1.38)	(67.38)
Basic earnings per share (RMB/Share)	0.19	(5.00)	0.61	(6.15)
Diluted earnings per share (RMB/Share)	0.19	(5.00)	0.61	(6.15)
Weighted average return on net assets (%) (on annualized basis)	14.46	Decreased by 1.74 percentage points	15.83	Decreased by 2.34 percentage points

Notes:

- (1) Operating income includes net interest income, net fee and commission income, net trading gains, net gains arising from investments and other operating income.
- (2) 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	30 September 2019	31 December 2018	Increase/ decrease as compared with the end of the previous year (%)
Total assets	492,793,859	466,142,418	5.72
Loans and advances to customers			
Corporate loans and advances	122,531,596	107,861,781	13.60
Personal loans and advances	55,619,858	43,919,211	26.64
Discounted bills	10,841,680	7,791,800	39.14
Gross loans and advances to customers	188,993,134	159,572,792	18.44
Add: Accrued interests	725,563	489,560	48.21
Less: Provision for impairment losses ⁽¹⁾	7,075,485	6,062,971	16.70
Book value of loans and advances to customers	182,643,212	153,999,381	18.60
Total liabilities	452,125,723	428,278,919	5.57
Deposits from customers			
Corporate deposits	190,620,201	183,951,821	3.63
Personal deposits	91,603,172	79,716,587	14.91
Other deposits ⁽²⁾	891,909	462,526	92.83
Gross deposits from customers	283,115,282	264,130,934	7.19
Add: Accrued interests	3,062,576	3,627,272	(15.57)
Book value of deposits from customers	286,177,858	267,758,206	6.88
Share capital	5,921,932	5,921,932	–
Shareholders' equity	40,668,136	37,863,499	7.41
Including: Equity attributable to shareholders of the Bank	39,386,604	36,649,739	7.47
Equity attributable to ordinary shareholders of the Bank	31,561,096	28,824,231	9.50
Net assets per Share attributable to ordinary shareholders of the Bank (RMB/Share)	5.33	4.87	9.45

Notes:

- (1) Provision for impairment losses excludes provision for impairment losses on forfeiting and discounted bills, which was included in other comprehensive income.
- (2) Other deposits include fiscal deposits, financial items in the process of clearance and settlement, remittances outstanding and temporary deposits.

(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 30 September 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	30 September 2019	31 December 2018	31 December 2017	31 December 2016
Core tier-one capital adequacy ratio (%) ⁽¹⁾	≥7.5	8.38	8.22	7.93	8.79
Tier-one capital adequacy ratio (%) ⁽¹⁾	≥8.5	10.49	10.48	10.49	8.80
Capital adequacy ratio (%) ⁽¹⁾	≥10.5	13.07	13.15	13.53	11.76
Leverage ratio (%) ⁽²⁾	≥4	6.66	6.79	6.49	5.15
Liquidity coverage ratio (%) ⁽²⁾	≥100	198.13	304.42	225.20	256.91
Liquidity ratio (%) ⁽²⁾	≥25	44.87	56.39	61.72	40.61
Loan to deposit ratio (%) ⁽²⁾		72.06	66.06	50.29	51.34
Non-performing loan ratio (%) ⁽³⁾	≤5	2.38	2.47	1.50	1.31
Allowance to non-performing loans (%) ⁽³⁾	≥150	160.01	154.84	207.75	237.38
Allowance to total loans (%) ⁽³⁾	≥2.5	3.80	3.82	3.11	3.11
Return on total assets (%) (on annualized basis)		1.02	0.69	1.08	1.28
Cost-to-income ratio (%) ⁽⁴⁾		24.90	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) (The former China Banking Regulatory Commission (the “**Former 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 provision 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 provision for impairment losses on loans and advances to customers by gross loans and advances to customers (excluding accrued interests).
- (4) Calculated by dividing total operating expenses (excluding tax and surcharges) by operating income.

(IV) Analysis on capital adequacy ratios and leverage ratio

Capital adequacy ratios

Unit: RMB'000

Item	30 September 2019	31 December 2018
Net core tier-one capital	31,368,149	28,712,291
Net tier-one capital	39,268,199	36,618,138
Net total capital	48,927,781	45,958,462
Total risk-weighted assets	374,462,445	349,504,822
Core tier-one capital adequacy ratio (%)	8.38	8.22
Tier-one capital adequacy ratio (%)	10.49	10.48
Capital adequacy ratio (%)	13.07	13.15

Leverage ratio

Unit: RMB'000

Item	30 September 2019	30 June 2019	31 March 2019	31 December 2018
Net tier-one capital	40,592,640	39,624,410	39,049,910	37,906,989
Balance of on/off-balance sheet assets after adjustment	609,094,715	578,299,950	591,270,708	558,245,642
Leverage ratio (%)	6.66	6.85	6.60	6.79

Note: Indicators related to leverage ratio as at the end of the Reporting Period, the end of the second quarter of 2019, the end of the first quarter of 2019 and the end of 2018 are calculated based on the requirements of the Administrative Measures for Leverage Ratio Management of Commercial Banks (Amended) (《商業銀行槓桿率管理辦法(修訂)》) (Former CBRC Order [2015] No. 1) which came into effect on 1 April 2015 and which are consistent with the data reported to the regulatory authorities.

(V) Analysis on liquidity coverage ratio*Unit: RMB'000*

Item	30 September 2019
Qualified quality liquid assets	57,196,640
Net cash outflow for the next 30 days	28,868,403
Liquidity coverage ratio (%)	198.13

(VI) Analysis on the five-category loan classification*Unit: RMB'000*

Five-category loan classification	30 September 2019		31 December 2018		Change (%)
	Amount	Proportion (%)	Amount	Proportion (%)	
Normal	180,393,778	95.45	150,934,330	94.59	19.52
Special-mention	4,105,392	2.17	4,700,526	2.95	(12.66)
Sub-standard	2,610,739	1.38	2,859,261	1.79	(8.69)
Doubtful	1,861,585	0.99	1,073,407	0.67	73.43
Loss	21,640	0.01	5,268	—	310.78
Total	<u>188,993,134</u>	<u>100.00</u>	<u>159,572,792</u>	<u>100.00</u>	18.44

II. DISCUSSION AND ANALYSIS ON OPERATION

During the Reporting Period, under the leadership of the Board of Directors, the Bank embarked on the road of high-quality development against all odds by identifying and focusing on major issues with confidence. All businesses developed steadily and asset quality continued to improve.

A steady improvement in main operation indicators. As at the end of the Reporting Period, the Bank's scale of assets amounted to RMB492,794 million, representing an increase of RMB26,651 million or 5.72% from the beginning of the year; gross loans and advances to customers amounted to RMB188,993 million, representing an increase of RMB29,420 million or 18.44% from the beginning of the year; and gross deposits from customers amounted to RMB283,115 million, representing an increase of RMB18,984 million or 7.19% from the beginning of the year. During the first three quarters of 2019, the Bank's operating income amounted to RMB9,581 million, representing an increase of 19.66% from the same period of the previous year; net profit amounted to RMB3,655 million, representing a year-on-year increase of 5.15%; and cost-to-income ratio was 24.90%, representing a decrease of 3.16 percentage points from the beginning of the year. Non-performing loan ratio was 2.38%, representing a decrease of 0.09 percentage point from the beginning of the year; allowance to non-performing loans was 160.01%, representing an increase of 5.17 percentage points from the beginning of the year; and capital adequacy ratio was 13.07%. The Bank met all regulatory requirements in respect of major regulatory indicators.

Quality and efficiency enhancement in the development of featured business. During the Reporting Period, the Bank continued to adhere to the distinctive positioning of “commerce and logistics bank, financing expert for small and medium enterprises, and boutique bank for residents”, and achieved breakthroughs in various businesses. In respect of providing financial services for the commercial sector, the Bank made new progress in its marketing activities for institutional customers and signed strategic cooperation agreements with a number of local governments. The development of “Five-Clouds” was accelerated, and the Bank was granted the national software copyright for its logistics mobile banking system. In respect of small and micro finance, the Bank focused on promoting various products such as Senior Loans (優先貸), “Property e Financing (房e融)”, Logistics Loans (物流貸) and E Tax Financing (E税融), and launched and operated 10 products such as Tech Loans (科技貸) and Car Loans (車貸). The small and micro finance products were more intelligent and standardized accordingly. In respect of providing financial services for residents, the establishment of the sales administration system was steadily advanced, and the application of big data in retail sector was implemented. The Bank introduced a new version of mobile banking application and launched a new co-brand credit card named Gongyi Youth Hostel (羣義青年之家).

Continuous improvement in social recognition. During the Reporting Period, the Bank won two awards including “Outstanding Comprehensive Market Maker” for the interbank bond market and “Outstanding Trial Market Maker for Credit Debt” in 2018; won the first prize in the “First Cyber Security Competition of Henan Banking Industry” organised by the China Banking and Insurance Regulatory Commission Henan Office (the “CBIRC Henan Office”); and was selected among the “Top 50 Logistics Finance Enterprises of China in 2019”. Meanwhile, leveraging the first anniversary of the listing of the Bank's A Shares on the Shenzhen Stock Exchange (the “SZSE”), the “Zhengzhou Bank Cup” Zhengzhou International Marathon and other hotspots, the Bank launched a series of joint promotion campaigns across the whole Bank and omni-channel to continuously enhance the Bank's good image.

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 134,583 holders of ordinary shares, of which, holders of H shares and A shares were 57 and 134,526, respectively.

Unit: share

Name of shareholder	Nature of shareholder	Type of shares	Number of shares held	Shareholdings percentage (%)	Shareholding of the top ten holders of ordinary shares		
					Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number
HKSCC Nominees Limited ⁽²⁾	Overseas legal person	H shares	1,517,863,830	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	100,000,000 5,285,412
Henan Zhenghong Properties Co., Ltd. (河南正弘置業有限公司)	Domestic non-state-owned legal person	A shares	100,000,000	1.69	100,000,000	Pledged	49,990,000

**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⁾	1,517,863,830	H shares	1,517,863,830
Henan Non-ferrous Geological Minerals Group Company Limited (河南有色地質礦產集團有限公司)	45,928,186	A shares	45,928,186
Henan Transport Industry Development Limited (河南交通實業發展有限公司)	41,886,506	A shares	41,886,506
Henan Shenli Concrete Co., Ltd. (河南神力混凝土有限公司)	30,000,000	A shares	30,000,000
Zhengzhou Hailong Industrial Co., Ltd. (鄭州海龍實業有限公司)	30,000,000	A shares	30,000,000
Wugang Zhongjia Mining Development Co., Ltd. (舞鋼中加礦業發展有限公司)	30,000,000	A shares	30,000,000
Henan Hongbao Group Company Limited (河南鴻寶集團有限公司)	27,000,000	A shares	27,000,000
Henan Zhiqiang Real Estate Co., Ltd. (河南志強置業有限公司)	20,000,000	A shares	20,000,000
Changge Xianghe Aluminum Material Co., Ltd. (長葛市祥合鋁材有限責任公司)	20,000,000	A shares	20,000,000
Henan Juhe Real Estate Co., Ltd. (河南省聚合置業有限責任公司)	20,000,000	A shares	20,000,000
Zhengzhou Yijian Group Company Limited (鄭州一建集團有限公司)	20,000,000	A shares	20,000,000
Henan Meijing Group Company Limited (河南省美景集團有限公司)	20,000,000	A shares	20,000,000

Notes on connected relations or concerted
actions of the above shareholders

Mr. FAN Yutao, a deputy director of Zhengzhou Finance Bureau (鄭州市財政局), is the director of Bridge Trust Co., Ltd. (百瑞信託有限責任公司). Zhengzhou Finance Bureau (鄭州市財政局) wholly owns Rongchuang Industrial Investment Co., Ltd. (中融創產業投資有限公司), and Rongchuang Industrial Investment Co., Ltd. (中融創產業投資有限公司) wholly owns Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). The Bank is not aware of any connected relationship among the other 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》)”.

Notes on the top ten holders of ordinary
shares participating in margin financing
and securities lending business (if any)

None

Notes:

- (1) The figures above are sourced from the register of shareholders of the Bank as at 30 September 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							
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	Pledged or frozen 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 30 September 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	January to September 2019	January to September 2018	Increase/ decrease as compared with the corresponding period of the previous year (%)	Main reason
Fee and commission expense	(104,358)	(60,559)	72.32	Mainly due to business growth in the settlement and credit card business.
Net trading gains	477,486	79,495	500.65	Due to the increase in exchange rate fluctuations between the US dollar and RMB, and increase in investment income from held-for-trading bonds.
Other operating income	26,771	17,515	52.85	Mainly due to the year-on-year increase in rental income of self-owned properties during the Reporting Period.
Credit impairment losses	(2,679,170)	(1,455,329)	84.09	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	64,863	39,981	62.23	Mainly due to the increase of profits in subsidiaries.

Item	30 September 2019	31 December 2018	Increase/decrease as compared with that at the end of the previous year (%)	Main reason
Placements with banks and other financial institutions	1,335,093	3,768,759	(64.57)	Due to decrease in placements with domestic banks and other financial institutions.
Derivative financial assets	7,827	231,551	(96.62)	During the Reporting Period, amid the two-way fluctuations in the exchange rate between the US dollar and RMB, the Bank rationally increased forward foreign exchanges to effectively mitigate market risks.
Derivative financial liabilities	288,677	38,501	649.79	
Financial assets at fair value through other comprehensive income	12,630,172	8,175,758	54.48	Due to increase in debt instruments measured at fair value through other comprehensive income.
Other assets	2,889,812	2,209,547	30.79	Mainly due to IFRS 16 – Leasing (the “New Leasing Standards”) implemented by the Bank on 1 January 2019, leading to the inclusion of operating leases in its balance sheet and the recognition of use right assets and lease liability.
Other liabilities	3,323,079	2,200,561	51.01	
Amounts due to Central Bank	6,721,318	4,196,194	60.18	Due to increase in medium-term lending facilities and loans of relending to support the development of micro and small enterprises.
Investment revaluation reserves	73,175	38,590	89.62	Mainly due to the increase in loans and advances to customers at fair value through other comprehensive income as at the end of the Reporting Period, leading to an increased provision for impairment losses.

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

On 16 July 2019, the Board resolved to approve the issuance of no more than 1,000,000,000 A Shares (inclusive) to no more than 10 (inclusive) specific target subscribers (including Zhengzhou Investment Holdings Co., Ltd., Bridge Trust Co., Ltd. and Henan Guoyuan Trade Co., Ltd.), and the total proceeds to be raised will not exceed RMB6,000,000,000 (inclusive) (the **“Non-public Issuance”**). The final number of A Shares to be issued pursuant to the Non-public Issuance will be determined by negotiations based on the approvals granted by the China Securities Regulatory Commission (the **“CSRC”**) on matters such as the maximum number of A Shares to be issued, total proceeds to be raised, and the final issue price. The Non-public Issuance was considered and approved at the 2019 first extraordinary general meeting, 2019 first A Shareholders class meeting and 2019 first H Shareholders class meeting of the Bank convened on 3 September 2019, and shall be subject to the approval by the CBIRC Henan Office and the approval by the CSRC. For details of the matters in relation to the Non-public Issuance, please refer to the announcements dated 17 July 2019, 16 August 2019 and 3 September 2019 published by the Bank on the website of www.cninfo.com.cn, and the announcements dated 17 July 2019 and 3 September 2019 and the circular dated 16 August 2019 published on the website of The Stock Exchange of Hong Kong Limited (the **“Hong Kong Stock Exchange”**) (www.hkexnews.hk). The Bank will also disclose the further details and the progress of the Non-public Issuance of A shares in the due course.

On 19 September 2019, restricted shares (A shares) of the Bank with a lock-up period of twelve months under the initial public offering of the Bank's A shares on the SZSE were listed and traded on the SZSE. In aggregate of 894,473,630 restricted shares (A shares) were listed and traded, involving 2,586 holders of A shares. For details, please refer to the announcement dated 18 September 2019 published by the Bank on www.cninfo.com.cn and on the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Save as disclosed in the 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	810,514	-	-	58,222,382
Derivative financial assets	231,551	474,393	-	-	7,827
Financial investments at fair value through other comprehensive income	8,175,758	-	25,744	651	12,630,172
Subtotal of financial assets	68,440,284	1,284,907	25,744	651	70,860,381
Derivative financial liabilities	38,501	525	-	-	288,677
Subtotal of financial liabilities	38,501	525	-	-	288,677

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. ENTRUSTED WEALTH MANAGEMENT

The Bank did not have any entrusted wealth management matter exceeding its normal business scope during the Reporting Period.

VIII. 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 Report is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.zzbank.cn). The third quarterly report of the Bank prepared in accordance with China Accounting Standards for Business Enterprises is also published on the website of the SZSE (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 nine months ended 30 September 2019 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
Interest income	15,718,249	13,854,020
Interest expense	(9,424,583)	(9,240,666)
Net interest income	6,293,666	4,613,354
Fee and commission income	1,287,355	1,352,954
Fee and commission expense	(104,358)	(60,559)
Net fee and commission income	1,182,997	1,292,395
Net trading gains	477,486	79,495
Net gains arising from investments	1,600,560	2,004,474
Other operating income	26,771	17,515
Operating income	9,581,480	8,007,233
Operating expenses	(2,469,596)	(2,193,527)
Impairment losses on credit	(2,679,170)	(1,455,329)
Operating profit	4,432,714	4,358,377
Share of profits of associates	45,490	36,274
Profit before taxation	4,478,204	4,394,651
Income tax expense	(823,399)	(918,879)
Profit for the period	3,654,805	3,475,772
Net profit attributable to:		
Equity shareholders of the Bank	3,589,942	3,435,791
Non-controlling interests	64,863	39,981
	3,654,805	3,475,772

Consolidated statement of profit or loss and other comprehensive income*For the nine months ended 30 September 2019 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Nine months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
Profit for the period	3,654,805	3,475,772
Other comprehensive income:		
Other comprehensive income net of tax attributable to equity shareholders of the Bank		
Items that may be reclassified subsequently to profit or loss		
– Net gains/(losses) from debt instruments measured at fair value through other comprehensive income	34,585	(2,799)
Items that will not be reclassified subsequently to profit or loss		
– Remeasurement of net defined benefit liability	630	12,895
Non-controlling interests	2,909	–
Other comprehensive income net of tax	38,124	10,096
Total comprehensive income	3,692,929	3,485,868
Total comprehensive income attributable to:		
Equity shareholders of the Bank	3,625,157	3,445,887
Non-controlling interests	67,772	39,981
	3,692,929	3,485,868
Basic and diluted earnings per share (in RMB)	0.61	0.65

Consolidated statement of profit or loss and other comprehensive income
For the three months from 1 July 2019 to 30 September 2019 – unaudited
(Expressed in thousands of Renminbi, unless otherwise stated)

	Three months from 1 July to 30 September	
	2019	2018
	(unaudited)	(unaudited)
Interest income	5,399,437	4,933,271
Interest expense	(3,045,366)	(3,141,541)
Net interest income	2,354,071	1,791,730
Fee and commission income	446,870	358,963
Fee and commission expense	(39,449)	(25,144)
Net fee and commission income	407,421	333,819
Net trading gains	151,316	150,549
Net gains arising from investments	424,398	588,052
Other operating income	12,689	6,705
Operating income	3,349,895	2,870,855
Operating expenses	(753,254)	(763,942)
Impairment losses on credit	(1,193,746)	(758,806)
Operating profit	1,402,895	1,348,107
Share of profits of associates	16,395	9,943
Profit before taxation	1,419,290	1,358,050
Income tax expense	(274,519)	(265,043)
Profit for the period	1,144,771	1,093,007
Net profit attributable to:		
Equity shareholders of the Bank	1,120,625	1,069,238
Non-controlling interests	24,146	23,769
	1,144,771	1,093,007

Consolidated statement of profit or loss and other comprehensive income*For the three months from 1 July 2019 to 30 September 2019 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Three months from 1 July to 30 September	
	2019	2018
	(unaudited)	(unaudited)
Profit for the period	1,144,771	1,093,007
Other comprehensive income:		
Other comprehensive income net of tax attributable to equity shareholders of the Bank		
Items that may be reclassified subsequently to profit or loss		
– Net gains/(losses) from debt instruments measured at fair value through other comprehensive income	5,316	(11,515)
Items that will not be reclassified subsequently to profit or loss		
– Remeasurement of net defined benefit liability	–	–
Non-controlling interests	2,937	(1,776)
Other comprehensive income net of tax	8,253	(13,291)
Total comprehensive income	1,153,024	1,079,716
Total comprehensive income attributable to:		
Equity shareholders of the Bank	1,125,941	1,057,723
Non-controlling interests	27,083	21,993
	1,153,024	1,079,716
Basic and diluted earnings per share (in RMB)	0.19	0.20

Consolidated statement of financial position*At 30 September 2019 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	30 September 2019 (unaudited)	31 December 2018 (audited)
Assets		
Cash and deposits with central bank	34,361,373	46,224,453
Deposits with banks and other financial institutions	1,556,233	2,156,931
Placements with banks and other financial institutions	1,335,093	3,768,759
Derivative financial assets	7,827	231,551
Financial assets held under resale agreements	2,640,677	3,452,125
Loans and advances to customers	182,643,212	153,999,381
Financial investments:		
Financial investments at fair value through profit or loss	58,222,382	60,032,975
Financial investments at fair value through other comprehensive income	12,630,172	8,175,758
Financial investments measured at amortised cost	178,139,047	167,830,054
Finance lease receivables	13,516,713	13,710,666
Interest in associates	366,571	321,081
Property and equipment	2,293,242	2,081,350
Deferred tax assets	2,191,505	1,947,787
Other assets	2,889,812	2,209,547
Total assets	<u>492,793,859</u>	<u>466,142,418</u>

Consolidated statement of financial position*At 30 September 2019 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	30 September 2019 (unaudited)	31 December 2018 (audited)
Liabilities		
Due to central bank	6,721,318	4,196,194
Deposits from banks and other financial institutions	19,264,668	27,398,665
Placements from banks and other financial institutions	12,651,242	13,652,888
Derivative financial liabilities	288,677	38,501
Financial assets sold under repurchase agreements	19,742,431	18,956,133
Deposits from customers	286,177,858	267,758,206
Tax payable	527,370	428,752
Debt securities issued	103,429,080	93,649,019
Other liabilities	3,323,079	2,200,561
Total liabilities	452,125,723	428,278,919
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	73,175	38,590
Remeasurement of net defined benefit liability	(43,862)	(44,492)
Retained earnings	12,219,662	9,518,012
Total equity attributable to equity shareholders of the Bank	39,386,604	36,649,739
Non-controlling interests	1,281,532	1,213,760
Total equity	40,668,136	37,863,499
Total liabilities and equity	492,793,859	466,142,418

Wang Tianyu
Chairman of the Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Fu Chunqiao
Person in-charge-of accounting affairs

Gao Chenxin
Head of accounting department (Company chop)

Consolidated cash flow statement*For the nine months ended 30 September 2019 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Nine months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before tax	4,478,204	4,394,650
<i>Adjustments for:</i>		
Impairment losses on credit	2,679,170	1,455,330
Depreciation and amortisation	245,754	224,548
Unrealised foreign exchange gains	(541,966)	(561,187)
Net losses from disposal of long-term assets	115	2
Net trading gains of financial investments		
at fair value through profit or loss	(142,901)	(18,746)
Net gains arising from investments	(1,600,560)	(1,980,471)
Share of profits of associates	(45,490)	(36,274)
Interest expense on debt securities issued	2,592,891	2,585,024
Interest income on financial investments	(7,091,493)	(6,248,770)
	573,724	(185,894)
<i>Changes in operating assets</i>		
Net decrease in deposits with central bank	1,892,164	1,511,176
Net decrease in deposits and placements		
with banks and other financial institutions	1,112,551	10,372,380
Net decrease/(increase) in financial investments at fair		
value through profit or loss	4,360,430	(6,094,072)
Net increase in loans and advances to customers	(30,515,205)	(25,272,275)
Net decrease/(increase) in financial assets held		
under resale agreements	809,400	(8,004,327)
Net decrease/(increase) in finance lease receivables	166,692	(2,332,185)
Net decrease/(increase) in other operating assets	457,816	(846,099)
	(21,716,152)	(30,665,402)

Consolidated cash flow statement*For the nine months ended 30 September 2019 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Nine months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
<i>Changes in operating liabilities</i>		
Net increase in amounts due to central bank	2,542,300	2,534,650
Net decrease in deposits and placements from banks and other financial institutions	(8,950,171)	(14,747,082)
Net increase in financial assets sold under repurchase agreements	788,826	5,250,950
Net increase in deposits from customers	18,984,348	15,864,731
Net increase in other operating liabilities	504,929	734,879
	13,870,232	9,638,128
Income tax paid	(899,358)	(1,286,356)
Net cash flows used in operating activities	(8,171,554)	(22,499,524)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	105,023,745	114,360,680
Proceeds from disposal of property and equipment and other assets	1,379	7,739
Payments on acquisition of investments	(122,468,240)	(117,440,581)
Dividends and interest received	8,191,942	6,143,095
Payments on acquisition of property and equipment and other assets	(652,826)	(400,322)
Net cash flows (used in)/generated from investing activities	(9,904,000)	2,670,611
Cash flows from financing activities		
Proceeds received from debt securities issued	87,577,101	76,664,076
Repayment of debt securities issued	(78,363,367)	(68,108,496)
Proceeds received from issuance of A-share	–	2,708,785
Cash paid for distribution of dividends	(888,290)	–
Interest paid on debt securities issued	(2,169,038)	(4,119,907)
Net cash flows generated from financing activities	6,156,406	7,144,458
Net decrease in cash and cash equivalents	(11,919,148)	(12,684,455)

Consolidated cash flow statement*For the nine months ended 30 September 2019 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Nine months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
Cash and cash equivalents as at 1 January	22,521,114	19,254,054
Effect of foreign exchange rate changes on cash and cash equivalents	40,702	179,285
Cash and cash equivalents as at 30 September	10,642,668	6,748,884
Net cash flows generated from operating activities include:		
Interest received	9,030,400	7,806,750
Interest paid	(7,446,974)	(6,622,776)

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

The Bank has implemented the New Leasing Standards since 1 January 2019, and the comparative figures as at the end of 2018 were not restated. The implementation of the standards does not have material effect on the Bank's financial report. The main accounting policy after the adoption of the New Leasing Standards and its impact on the financial statements of the Bank was listed in Note 3 "Changes in accounting policies" to the financial statements in the chapter headed "Financial Report" of the Interim Report 2019 of the Bank.