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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 2020

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 2020 (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 2020

As at the date of this announcement, the Board comprises Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. XIA Hua 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 2020 of the Bank (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 29 October 2020, the Report was considered and approved at the eleventh meeting of the sixth session of the Board of the Bank. 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 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 of the Bank and chairman of the Board, Mr. SHEN Xueqing, the president, Mr. FU Chunqiao, the person-in-charge of accounting, 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, unless otherwise specified, 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 2020	Increase/ decrease as compared with the corresponding period of the previous year (%)	January to September 2020	Increase/ decrease as compared with the corresponding period of the previous year (%)
Operating income ⁽¹⁾	3,225,617	(3.71)	10,906,141	13.83
Net profit attributable to shareholders of the Bank	874,821	(21.93)	3,292,674	(8.28)
Net cash flows used in operating activities	(6,920,364)	78.75	(599,602)	(92.66)
Net cash flows used in operating activities per share (RMB/share)	(1.06)	79.66	(0.09)	(92.80)
Basic earnings per share ⁽²⁾ (RMB/share)	0.13	(23.53)	0.51	(7.27)
Diluted earnings per share ⁽²⁾ (RMB/share)	0.13	(23.53)	0.51	(7.27)
Weighted average return on net assets ⁽²⁾ (%) (on annualised basis)	10.69	Decreased by 3.77 percentage points	13.72	Decreased by 2.11 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) Basic earnings per share, diluted earnings per share and weighted average return on net assets were all 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).

In June 2020, the Bank issued one new share to the ordinary shareholders for every 10 shares held by way of capitalisation issue. After the implementation of the capitalisation issue, the number of ordinary shares of the Bank increased from 5,921,931,900 shares to 6,514,125,090 shares. Net cash flows used in operating activities per share, basic earnings per share and diluted earnings per share for the comparison periods were recalculated based on the number of shares after the capitalisation issue.

During the Reporting Period, the Bank did not distribute dividends of the offshore preference shares. No dividend of the offshore preference shares had to be deducted from the net profit attributable to shareholders of the Bank, and net proceeds raised from the offshore preference shares issuance were deducted from the weighted average net assets.

- (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	30 September 2020	31 December 2019	Increase/ decrease as compared with the end of the previous year (%)
Total assets	535,386,174	500,478,127	6.97
Loans and advances to customers			
Corporate loans and advances to customers	144,204,062	124,565,616	15.77
Personal loans and advances to customers	68,999,011	59,593,823	15.78
Discounted bills	16,316,877	11,752,226	38.84
Gross loans and advances to customers	229,519,950	195,911,665	17.15
Add: Accrued interests	981,886	682,722	43.82
Less: Provision for impairment losses ⁽¹⁾	7,343,266	7,327,846	0.21
Book value of loans and advances to customers	223,158,570	189,266,541	17.91
Total liabilities	493,097,602	460,586,505	7.06
Deposits from customers			
Corporate deposits	176,113,780	166,446,634	5.81
Personal deposits	105,527,965	95,587,216	10.40
Other deposits ⁽²⁾	29,679,075	27,183,010	9.18
Total deposits from customers	311,320,820	289,216,860	7.64
Add: Accrued interests	2,274,819	2,908,926	(21.80)
Book value of deposits from customers	313,595,639	292,125,786	7.35
Share capital	6,514,125	5,921,932	10.00
Shareholders' equity	42,288,572	39,891,622	6.01
Including: Equity attributable to shareholders of the Bank	40,844,481	38,590,322	5.84
Equity attributable to ordinary shareholders of the Bank	33,018,973	30,764,814	7.33
Net assets per Share attributable to ordinary shareholders of the Bank ⁽³⁾ (RMB/share)	5.07	4.72	7.42

Notes:

- (1) Provision for impairment losses excludes provision for impairment losses on forfeiting and discounted bills, which is included in other comprehensive income.
- (2) Other deposits include pledged deposits, remittances outstanding and temporary deposit.
- (3) In June 2020, the Bank issued one new share to the ordinary shareholders for every 10 shares held by way of capitalisation issue. After the implementation of the capitalisation issue, the number of ordinary shares of the Bank increased from 5,921,931,900 shares to 6,514,125,090 shares. Net asset per share attributable to ordinary shareholders of the Bank for the comparison periods was recalculated based on the number of shares after the capitalisation issue.

(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 2020 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 2020	31 December 2019	31 December 2018	31 December 2017
Core tier-one capital adequacy ratio ⁽¹⁾ (%)	≥7.5	7.99	7.98	8.22	7.93
Tier-one capital adequacy ratio ⁽¹⁾ (%)	≥8.5	9.91	10.05	10.48	10.49
Capital adequacy ratio ⁽¹⁾ (%)	≥10.5	11.84	12.11	13.15	13.53
Leverage ratio ⁽²⁾ (%)	≥4	6.22	6.34	6.79	6.49
Liquidity ratio ⁽²⁾ (%)	≥25	62.93	56.44	56.39	61.72
Liquidity coverage ratio ⁽²⁾ (%)	≥100	162.28	300.37	304.42	225.20
Loan to deposit ratio ⁽²⁾ (%)		80.36	72.33	66.06	50.29
Non-performing loan ratio ⁽³⁾ (%)	≤5	2.10	2.37	2.47	1.50
Allowance to non-performing loans ⁽³⁾ (%)	≥150	154.99	159.85	154.84	207.75
Allowance to total loans ⁽³⁾ (%)	≥2.5	3.25	3.79	3.82	3.11
Return on total assets (%) (on annualised basis)		0.88	0.70	0.69	1.08
Cost-to-income ratio ⁽⁴⁾ (%)		19.04	26.62	28.06	26.18

Notes:

- (1) The capital adequacy ratios and relevant data are calculated by the Bank in accordance with the Administrative Measures for the Capital of Commercial Banks (Trial Implementation) issued by the former China Banking Regulatory Commission (hereinafter referred to as "Former CBRC") in 2012 and relevant requirements and based on statutory financial statements prepared under the Accounting Standards for Business Enterprises.
- (2) Among the above regulatory indicators, leverage ratio, liquidity ratio, liquidity coverage ratio and loan to deposit ratio are all data reported to the regulatory departments.
- (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).
- (4) Calculated by dividing operating expenses (after deducting tax and surcharges) by operating income.

(IV) Analysis on capital adequacy ratios and leverage ratio

Capital adequacy ratios

Unit: RMB'000

Item	30 September 2020	31 December 2019
Net core tier-one capital	32,966,218	30,448,435
Net tier-one capital	40,906,417	38,353,128
Net tier-two capital	7,981,608	7,862,368
Net total capital	48,888,025	46,215,496
Total risk-weighted assets	412,749,711	381,759,225
Core tier-one capital adequacy ratio (%)	7.99	7.98
Tier-one capital adequacy ratio (%)	9.91	10.05
Capital adequacy ratio (%)	11.84	12.11

Leverage ratio

Unit: RMB'000

Item	30 September 2020	30 June 2020	31 March 2020	31 December 2019
Net tier-one capital	42,223,905	41,628,919	40,921,229	39,563,666
Balance of on/off-balance sheet assets after adjustment	678,584,802	687,554,034	672,368,001	624,365,354
Leverage ratio (%)	6.22	6.05	6.09	6.34

Note: Indicators related to leverage ratio as at the end of the Reporting Period, the end of the first half of 2020, the end of the first quarter of 2020 and the end of 2019 are all calculated in accordance with the requirements of the Administrative Measures on the Leverage Ratio of Commercial Banks (Revised) (Former CBRC Order [2015] No.1) implemented since 1 April 2015, and are consistent with the data reported to the regulatory authorities.

(V) Analysis on liquidity coverage ratio

Unit: RMB'000

Item	30 September 2020
Qualified quality liquid assets	58,923,143
Net cash outflow for the next 30 days	36,309,754
Liquidity coverage ratio (%)	162.28

(VI) Analysis on the five-category loan classification

Unit: RMB'000

Five-category loan classification	30 September 2020		31 December 2019		Change
	Amount	Proportion (%)	Amount	Proportion (%)	
Normal	219,946,612	95.83	187,187,713	95.55	17.50
Special-mention	4,758,853	2.07	4,079,072	2.08	16.67
Sub-standard	3,790,105	1.65	2,669,799	1.36	41.96
Doubtful	986,827	0.43	1,961,656	1.00	(49.69)
Loss	37,553	0.02	13,425	0.01	179.72
Total	229,519,950	100.00	195,911,665	100.00	17.15

II. DISCUSSION AND ANALYSIS ON OPERATION

During the Reporting Period, the Bank steadily carried out its operations and management and maintained a robust development momentum focusing on the implementation of the “Six Stabilities and Six Guarantees” by the Party Central Committee and the State Council and various regulatory requirements, as well as the strategies of stabilizing growth, adjusting the structure, building customer base, and controlling non-performing loans.

Continuously maintained stability of major business indicators. As at the end of the Reporting Period, the Bank’s total assets amounted to RMB535,386 million, representing an increase of 6.97% from the beginning of the year; total loans and advances to customers reached RMB229,520 million, representing an increase of 17.15% from the beginning of the year; total deposits from customers amounted to RMB311,321 million, representing an increase of 7.64% from the beginning of the year. During the Reporting Period, the Bank recorded an operating income of RMB10,906 million, representing an increase of 13.83% year on year, a pre-provision operating profit of RMB8,759 million, representing an increase of 22.38% year on year, and a net profit of RMB3,413 million, representing a decrease of 6.61% year on year. The non-performing loan ratio was 2.10%; the allowance to non-performing loans was 154.99%, and the capital adequacy ratio was 11.84%. All major regulatory indicators met the regulatory requirements.

Continuously improved asset quality. During the Reporting Period, the Bank continuously optimized its post-loan management system and enhanced its accountability system. It vigorously carried out tiered and categorized disposal of large-value assets and strengthened the management of deferred payments; and constantly strengthened risk management and intensified collection and disposal of non-performing assets. As at the end of the Reporting Period, the Bank’s non-performing loan ratio was 2.10%, representing a decrease of 0.27 percentage point from the beginning of the year.

Continuously developed key businesses. During the Reporting Period, the Bank adopted a number of measures to support the resumption of work and production and the development of the real economy, developed the implementation plan for deferred payment of principal and interest to alleviate the repayment pressure of micro, small and medium enterprises, and underwrote RMB2 billion of anti-pandemic special government bonds. It strengthened technology empowerment, vigorously supported the construction of Zhengzhou Beilonghu Technology Park (鄭州市北龍湖科技園) and pushed forward the “1,000-Sail Program” in an orderly manner; it enhanced business structure and vigorously expanded “non-real estate and non-governmental platforms” customer base, institutional customer base and inclusive small and micro finance customer base; it accelerated the construction of “the bank for residents”, launched the “Zhengyin Wealth Manager” (鄭銀理財家) platform, explored new retail products, and rolled out “Zhengyin Joy Card” (鄭銀樂卡) in collaboration with Enjoy Cultural Tourism (銀基文旅).

Continuously boosted social image. During the Reporting Period, the Bank proactively performed its social responsibilities to continuously boost its social image, and was once again listed in the “2020 Top 500 Enterprises in China’s Service Industry” and ranked the highest among all the Henan-based enterprises on the list. The Bank made charity donations to Henan Women and Children Development Foundation (河南省婦女兒童發展基金會) to support the “Safe Water for Children” (讓孩子喝上安全水) program.

III. TOTAL NUMBER OF SHAREHOLDERS AND SHAREHOLDING OF THE TOP 10 SHAREHOLDERS AS AT THE END OF THE REPORTING PERIOD

(I) Total number of holders of ordinary shares, shareholding of the top 10 holders of ordinary shares and shareholding of the top 10 holders of ordinary shares not subject to trading moratorium

As at the end of the Reporting Period, the Bank had a total of 111,910 holders of ordinary shares, including 111,855 holders of A shares and 55 holders of H shares.

Unit: share

Name of shareholder	Nature of shareholder	Type of shares	Number of shares held	Shareholdings percentage (%)	Shareholding of the top 10 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	1,669,652,413	25.63	–	Unknown	Unknown
Zhengzhou Finance Bureau (鄭州市財政局)	State-owned	A shares	543,178,769	8.34	539,995,230	Pledged	242,990,000
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	288,200,000	4.22	288,200,000	Pledged Frozen	288,200,000 288,200,000
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	275,000,200	4.22	275,000,000	Pledged	137,500,000
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A shares	263,369,118	4.04	263,369,118	–	–
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	Domestic non state-owned legal person	A shares	248,600,000	3.82	248,600,000	Pledged	124,299,998
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A shares	237,418,926	3.64	237,246,640	–	–
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non state-owned legal person	A shares	218,951,121	3.36	218,951,121	Pledged	164,450,000
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	A shares	126,166,863	1.94	126,166,863	–	–
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	110,000,000	1.69	110,000,000	Pledged	110,000,000
Henan Zhenghong Real Estate Co., Ltd. (河南正弘置業有限公司)	Domestic non state-owned legal person	A shares	110,000,000	1.69	110,000,000	Pledged	108,911,000

Unit: share

Shareholdings of the top 10 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	Number
HKSCC Nominees Limited ⁽²⁾	1,669,652,413	H shares	1,669,652,413
Henan Communications Industrial Development Co., Ltd. (河南交通實業發展有限公司)	46,075,157	A shares	46,075,157
Hong Kong Securities Clearing Company Limited	35,167,492	A shares	35,167,492
Henan Shenli Concrete Co., Ltd. (河南神力混凝土有限公司)	33,000,000	A shares	33,000,000
Zhengzhou Hailong Industrial Co., Ltd. (鄭州海龍實業有限公司)	33,000,000	A shares	33,000,000
Wugang Sino-Canada Mining Development Co., Ltd. (舞鋼中加礦業發展有限公司)	33,000,000	A shares	33,000,000
Henan Juhe Real Estate Co., Ltd. (河南省聚合置業有限責任公司)	22,000,000	A shares	22,000,000
Henan Zhiqiang Real Estate Co., Ltd. (河南志強置業有限公司)	22,000,000	A shares	22,000,000
Changge Xianghe Aluminum Materials Co., Ltd. (長葛市祥合鋁材有限責任公司)	22,000,000	A shares	22,000,000
Zhengzhou Yijian Group Co., Ltd. (鄭州一建集團有限公司)	22,000,000	A shares	22,000,000
Henan Tian Lun Investment Holdings Company Limited (河南省天倫投資控股集團有限公司)	22,000,000	A shares	22,000,000

Description of related party relationships or concerted actions of the above shareholders	Mr. Fan Yutao, deputy director of Zhengzhou Finance Bureau, served as a director of Bridge Trust Co., Ltd. during the Reporting Period. Zhengzhou Finance Bureau wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司). The Bank is not aware of whether the other shareholders above have any related party relationships or belong to any acting-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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Description of the top 10 ordinary shareholders 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 30 September 2020.
- (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 10 holders of ordinary shares and the top 10 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 offshore preference shares and shareholding of the top 10 holders of offshore preference shares

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

Unit: share

Shareholding of the top 10 holders of offshore preference shares							
Name of shareholder	Nature of shareholder	Type of shares	Number of shares held	Shareholdings Percentage ⁽³⁾ (%)	Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	Offshore preference shares	59,550,000	100	–	Unknown	Unknown
Description of related party relationships or concerted actions of the above shareholders	The Bank is not aware of whether the above holder of offshore preference shares, the top 10 holders of ordinary shares and the top 10 holders of ordinary shares not subject to trading moratorium have any related party relationships or belong to any acting-in-concert parties under the Administration Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).						

Notes:

- (1) The figures above are sourced from the register of shareholders of offshore preference shares of the Bank as at 30 September 2020.
- (2) The above offshore preference shares were issued by way of private offering, and the register of shareholders of offshore preference shares presented the information on nominees of placees.
- (3) “Shareholdings percentage” refers to the percentage of the number of offshore preference shares held by holders of offshore preference shares to the total issued number of offshore 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 2020	January to September 2019	Increase/ decrease as compared with the corresponding period of the previous year (%)	Main reason
Net interest income	8,333,327	6,293,666	32.41	Mainly due to the increase in the Bank's net interest margin during the Reporting Period as compared with the same period last year.
Fee and commission expense	(154,871)	(104,358)	48.40	Mainly due to the increase in bond underwriting and the growth of the credit card business.
Net gains arising from investments	783,588	1,600,560	(51.04)	Mainly due to the change in fair value of financial investments at fair value through profit or loss.
Impairment losses on assets	(4,527,628)	(2,679,170)	68.99	Mainly because the Bank increased the provision for asset impairment and further strengthened risk-resistance capability based on market operating environment and asset structure changes.
Share of profits of associates	30,270	45,490	(33.46)	Mainly due to the decrease in the profit of associates during the Reporting Period as compared with the same period last year.
Net profit/ non-controlling interests	120,371	64,863	85.58	Mainly due to the increase in the profits of subsidiaries of the Bank during the Reporting Period as compared with the same period last year.

Item	30 September 2020	31 December 2019	Increase/ decrease as compared with the end of the previous year (%)	Main reason
Deposits with banks and other financial institutions	2,819,401	1,930,394	46.05	The Bank adjusted the structure of such assets in consideration of asset-liability matching and market liquidity.
Placements with banks and other financial institutions	1,491,479	2,784,681	(46.44)	
Financial assets held under resale agreements	–	2,998,744	(100.00)	
Derivative financial assets	145,044	94,602	53.32	During the Reporting Period, amid the two-way fluctuations in the exchange rate between the US dollar and RMB, the Bank rationally used forward foreign exchanges to effectively mitigate market risks.
Derivative financial liabilities	375	4,944	(92.42)	
Finance lease receivables	21,672,576	12,501,697	73.36	Mainly due to the increase in the finance lease receivables of Henan Jiuding Financial Leasing Co., Ltd., a subsidiary of the Bank.
Due to central bank	19,394,122	9,954,864	94.82	The increase in refinancing to small banks and medium-term lending facility.
Placements from banks and other financial institutions	19,287,654	14,113,018	36.67	The increase in placements from domestic banks and other financial institutions.
Fair value reserve	(348,368)	97,063	(458.91)	Mainly due to the change in the valuation of financial investments at fair value through other comprehensive income at the end of the Reporting Period.

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

On 20 May 2020, the Bank convened the 2019 annual general meeting, 2020 first A shareholders class meeting and 2020 first H shareholders class meeting to consider and approve resolutions in relation to the revision of the non-public issuance of A shares and proposed to issue no more than 1,000,000,000 A shares (inclusive) by way of non-public issuance to no more than 35 target investors (inclusive) (including Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)) and raise no more than RMB6,000,000,000 (inclusive) of proceeds. On 3 July 2020, the Issuance Examination Committee of the China Securities Regulatory Commission approved the Bank's application for the non-public issuance of A shares. On 21 July 2020, the Bank received the Approval in relation to the Non-public Issuance of Shares by Bank of Zhengzhou Co., Ltd. (Zheng Jian Xu Ke [2020] No. 1485) (《關於核准鄭州銀行股份有限公司非公開發行股票的批覆》(證監許可[2020]1485號)) from the China Securities Regulatory Commission. For details, please refer to the announcements published by the Bank on CNINFO dated 17 July 2019, 16 August 2019, 3 September 2019, 12 November 2019, 31 March 2020, 28 April 2020, 21 May 2020, 19 June 2020, 6 July 2020 and 22 July 2020, and the announcements published on the website of the The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) dated 17 July 2019, 3 September 2019, 12 November 2019, 30 March 2020, 6 April 2020, 20 May 2020, 6 July 2020 and 22 July 2020 and the circulars dated 16 August 2019 and 28 April 2020. The Bank will disclose further details and progress of the non-public issuance of A shares as and when appropriate.

During the Reporting Period, the Bank received the Approval of China Banking and Insurance Regulatory Commission Henan Office in relation to the Change of Registered Capital of Bank of Zhengzhou Co., Ltd. (Yu Yin Bao Jian Fu [2020] No. 295) (《河南銀保監局關於同意鄭州銀行股份有限公司變更註冊資本的批覆》(豫銀保監覆[2020] 295號)), which permitted the increase of the Bank's registered capital from RMB5,921,931,900 to RMB6,514,125,090 as its ordinary share capital increased as a result of the implementation of the capitalisation issue. The Bank has commenced relevant procedures including registration of industrial and commercial changes. For details, please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange dated 19 August 2020.

During the Reporting Period, the Bank received the Approval of China Banking and Insurance Regulatory Commission Henan Office in relation to the Amendments to the Articles of Association of Bank of Zhengzhou Co., Ltd. (Yu Yin Bao Jian Fu [2020] No. 335) (《河南銀保監局關於同意鄭州銀行股份有限公司修訂公司章程的批覆》(豫銀保監覆[2020]335號)). The Articles of Association considered and amended by the 2019 annual general meeting, 2020 first A shareholders class meeting and 2020 first H shareholders class meeting of the Bank were approved by China Banking and Insurance Regulatory Commission Henan Office with effect from the date of approval. For details, please refer to the announcements published by the Bank on CNINFO and the website of the Hong Kong Stock Exchange dated 2 September 2020.

During the Reporting Period, save as disclosed in this Report, other announcements and circulars of the Bank, the Bank had no other significant events which should be disclosed.

During the Reporting Period, the Bank did not repurchase any shares or reduce bought-back shares through centralised bidding.

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

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

IV. FINANCIAL ASSETS INVESTMENT

(I) Securities investment

As at the end of the Reporting Period, the book value of the securities assets held by the Bank amounted to RMB90,105 million. The details of the ten largest financial bonds (by nominal value) are as follows:

Unit: RMB'000

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2020 Financial Bond	4,780,000	3.09	2030-06-18	109
2	2016 Financial Bond	3,250,000	3.33	2026-02-22	145
3	2016 Financial Bond	2,490,000	3.33	2026-01-06	112
4	2020 Financial Bond	2,380,000	3.07	2030-03-10	100
5	2016 Financial Bond	2,200,000	3.24	2023-02-25	98
6	2019 Financial Bond	1,960,000	3.45	2029-09-20	81
7	2016 Financial Bond	1,900,000	3.32	2023-01-06	85
8	2019 Financial Bond	1,620,000	3.74	2029-07-12	54
9	2020 Financial Bond	1,350,000	2.96	2030-04-17	20
10	2020 Financial Bond	1,260,000	3.23	2030-03-23	16

(II) Derivatives investment

Unit: RMB'000

Derivative financial instruments	As at 30 September 2020			As at 31 December 2019		
	Contract/ Notional amount	Fair value of assets	Fair value of liabilities	Contract/ Notional amount	Fair value of assets	Fair value of liabilities
Forward foreign exchange contracts	5,379,979	145,044	–	11,022,396	94,602	(4,944)
Credit risk mitigation	80,000	–	(375)	–	–	–
Total	5,459,979	145,044	(375)	11,022,396	94,602	(4,944)

V. PROGRESS OF PROJECTS FINANCED BY PROCEEDS

The Bank had no projects financed by proceeds during the Reporting Period.

VI. MATERIAL CONTRACTS IN DAY-TO-DAY OPERATIONS

The Bank had no material contracts in day-to-day operations during the Reporting Period.

VII. ENTRUSTED WEALTH MANAGEMENT

There was no event in respect of entrusted wealth management beyond the Bank's normal business during the Reporting Period.

VIII. IRREGULAR EXTERNAL GUARANTEES

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

IX. 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 shareholder or its related parties for non-operational purpose during the Reporting Period.

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

There was 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) simultaneously. The third quarterly report of 2020 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) simultaneously.

FINANCIAL STATEMENTS

Consolidated statement of profit or loss and other comprehensive income

For the nine months ended 30 September 2020 – unaudited

(Expressed in thousands of Renminbi, unless otherwise stated)

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Interest income	17,662,949	15,718,249
Interest expense	(9,329,622)	(9,424,583)
Net interest income	8,333,327	6,293,666
Fee and commission income	1,572,901	1,287,355
Fee and commission expense	(154,871)	(104,358)
Net fee and commission income	1,418,030	1,182,997
Net trading gains	339,413	477,486
Net gains arising from investments	783,588	1,600,560
Other operating income	31,783	26,771
Operating income	10,906,141	9,581,480
Operating expenses	(2,176,927)	(2,469,596)
Impairment losses on assets	(4,527,628)	(2,679,170)
Operating profit	4,201,586	4,432,714
Share of profits of associates	30,270	45,490
Profit before taxation	4,231,856	4,478,204
Income tax expense	(818,811)	(823,399)
Profit for the period	3,413,045	3,654,805
Net profit attributable to:		
Equity shareholders of the Bank	3,292,674	3,589,942
Non-controlling interests	120,371	64,863
	3,413,045	3,654,805

Consolidated statement of profit or loss and other comprehensive income*For the nine months ended 30 September 2020 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Profit for the period	3,413,045	3,654,805
Other comprehensive income:		
Other comprehensive income net of tax		
attributable to equity shareholders of the Bank		
Item that may be reclassified subsequently to profit or loss		
– Net (loss)/gain from debt instruments measured at fair value through other comprehensive income	(445,431)	34,585
Item that will not be reclassified subsequently to profit or loss		
– Remeasurement of net defined benefit liability	(891)	630
Non-controlling interests	24,512	2,909
Other comprehensive income net of tax	(421,810)	38,124
Total comprehensive income	2,991,235	3,692,929
Total comprehensive income attributable to:		
Equity shareholders of the Bank	2,846,352	3,625,157
Non-controlling interests	144,883	67,772
	2,991,235	3,692,929
Basic and diluted earnings per share		
(restated for comparative period) <i>(in RMB)</i>	0.51	0.55

Consolidated statement of profit or loss and other comprehensive income*For the three months from 1 July 2020 to 30 September 2020 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Three months from 1 July to 30 September	
	2020	2019
	(unaudited)	(unaudited)
Interest income	6,017,443	5,399,437
Interest expense	(3,106,628)	(3,045,366)
Net interest income	2,910,815	2,354,071
Fee and commission income	445,734	446,870
Fee and commission expense	(84,540)	(39,449)
Net fee and commission income	361,194	407,421
Net trading (loss)/gains	(62,705)	151,316
Net (loss)/gains arising from investments	(8,755)	424,398
Other operating income	25,068	12,689
Operating income	3,225,617	3,349,895
Operating expenses	(758,427)	(753,254)
Impairment losses on assets	(1,317,943)	(1,193,746)
Operating profit	1,149,247	1,402,895
Share of profits of associates	189	16,395
Profit before taxation	1,149,436	1,419,290
Income tax expense	(209,391)	(274,519)
Profit for the period	940,045	1,144,771
Net profit attributable to:		
Equity shareholders of the Bank	874,821	1,120,625
Non-controlling interests	65,224	24,146
	940,045	1,144,771

Consolidated statement of profit or loss and other comprehensive income*For the three months from 1 July 2020 to 30 September 2020 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Three months from 1 July to 30 September	
	2020	2019
	(unaudited)	(unaudited)
Profit for the period	940,045	1,144,771
Other comprehensive income:		
Other comprehensive income net of tax		
attributable to equity shareholders of the Bank		
Item that may be reclassified subsequently to profit or loss		
— Net (loss)/gain from debt instruments measured		
at fair value through other comprehensive income	(306,302)	5,316
Item that will not be reclassified subsequently to profit or loss		
— Remeasurement of net defined benefit liability	—	—
Non-controlling interests	24,499	2,937
Other comprehensive income net of tax	(281,803)	8,253
Total comprehensive income	658,242	1,153,024
Total comprehensive income attributable to:		
Equity shareholders of the Bank	568,519	1,125,941
Non-controlling interests	89,723	27,083
	658,242	1,153,024
Basic and diluted earnings per share		
(restated for comparative period) (<i>in RMB</i>)	0.13	0.17

Consolidated statement of financial position*At 30 September 2020 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	30 September 2020 (unaudited)	31 December 2019 (audited)
Assets		
Cash and deposits with central bank	29,897,284	38,465,676
Deposits with banks and other financial institutions	2,819,401	1,930,394
Placements with banks and other financial institutions	1,491,479	2,784,681
Derivative financial assets	145,044	94,602
Financial assets held under resale agreements	–	2,998,744
Loans and advances to customers	223,158,570	189,266,541
Financial investments:		
Financial investments at fair value through profit or loss	55,509,335	55,062,294
Financial investments at fair value through other comprehensive income	20,093,145	15,751,610
Financial investments measured at amortised cost	170,462,241	173,168,422
Finance lease receivables	21,672,576	12,501,697
Interest in associates	374,904	376,874
Property and equipment	2,656,157	2,372,354
Deferred tax assets	3,382,277	2,834,990
Other assets	3,723,761	2,869,248
Total assets	<u>535,386,174</u>	<u>500,478,127</u>

Consolidated statement of financial position*At 30 September 2020 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	30 September 2020 (unaudited)	31 December 2019 (audited)
Liabilities		
Due to central bank	19,394,122	9,954,864
Deposits from banks and other financial institutions	23,280,999	18,906,118
Placements from banks and other financial institutions	19,287,654	14,113,018
Derivative financial liabilities	375	4,944
Financial assets sold under repurchase agreements	21,292,705	16,385,737
Deposits from customers	313,595,639	292,125,786
Tax payable	814,368	745,840
Debt securities issued	92,307,376	105,245,667
Other liabilities	3,124,364	3,104,531
Total liabilities	493,097,602	460,586,505
Equity		
Share capital	6,514,125	5,921,932
Other equity instruments		
Include: preference shares	7,825,508	7,825,508
Capital reserve	4,571,462	5,163,655
Surplus reserve	2,675,548	2,675,548
General reserve	6,619,553	6,619,553
Fair value reserve	(348,368)	97,063
Remeasurement of net defined benefit liability	(47,315)	(46,424)
Retained earnings	13,033,968	10,333,487
Total equity attributable to equity shareholders of the Bank	40,844,481	38,590,322
Non-controlling interests	1,444,091	1,301,300
Total equity	42,288,572	39,891,622
Total liabilities and equity	535,386,174	500,478,127

Wang Tianyu
Chairman of the Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Fu Chunqiao
Chief accountant

Gao Chenxin
General Manager of the Planning and
Finance Department

(Company chop)

Consolidated cash flow statement*For the nine months ended 30 September 2020 – unaudited**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before tax	4,231,856	4,478,204
<i>Adjustments for:</i>		
Impairment losses on assets	4,527,628	2,679,170
Depreciation and amortisation	296,938	245,754
Unrealised foreign exchange losses/(gains)	208,867	(541,966)
Net losses from disposal of long-term assets	593	115
Net trading gains of financial investments at fair value through profit or loss	(169,429)	(142,901)
Net gains arising from investments	(783,588)	(1,600,560)
Share of profits of associates	(30,270)	(45,490)
Interest expense on debt securities issued	2,160,014	2,592,891
Interest income on financial investments	(7,318,376)	(7,091,493)
	3,124,233	573,724
<i>Changes in operating assets</i>		
Net decrease in deposits with central bank	2,636,575	1,892,164
Net decrease in deposits and placements with banks and other financial institutions	103,444	1,112,551
Net (increase)/decrease in financial investments at fair value through profit or loss	(5,768,620)	4,360,430
Net increase in loans and advances to customers	(36,881,620)	(30,515,205)
Net decrease in financial assets held under resale agreements	2,998,305	809,400
Net (increase)/decrease in finance lease receivables	(9,155,719)	166,692
Net (increase)/decrease in other operating assets	(1,271,377)	457,816
	(47,339,012)	(21,716,152)

Consolidated cash flow statement*For the nine months ended 30 September 2020 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
<i>Changes in operating liabilities</i>		
Net increase in amounts due to central bank	9,332,518	2,542,300
Net increase/(decrease) in deposits and placements from banks and other financial institutions	9,505,410	(8,950,171)
Net increase in financial assets sold under repurchase agreements	4,906,495	788,826
Net increase in deposits from customers	22,103,961	18,984,348
Net (decrease)/increase in other operating liabilities	(1,028,423)	504,929
	44,819,961	13,870,232
Income tax paid	(1,204,784)	(899,358)
Net cash flows used in operating activities	(599,602)	(8,171,554)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	220,338,423	105,023,745
Proceeds from disposal of property and equipment and other assets	418	1,379
Payments on acquisition of investments	(221,974,208)	(122,468,240)
Dividends and interest received	12,078,274	8,191,942
Payments on acquisition of property and equipment and other assets	(236,140)	(652,826)
Net cash flows generated from/(used in) investing activities	10,206,767	(9,904,000)
Cash flows from financing activities		
Proceeds received from debt securities issued	82,232,866	87,577,101
Repayment of debt securities issued	(94,851,783)	(78,363,367)
Interest paid on debt securities issued	(2,479,388)	(2,169,038)
Dividends paid	(592,326)	(888,290)
Cash flows from other financing activities	(88,536)	—
Net cash flows (used in)/generated from financing activities	(15,779,167)	6,156,406
Net decrease in cash and cash equivalents	(6,172,002)	(11,919,148)

Consolidated cash flow statement*For the nine months ended 30 September 2020 – unaudited (continued)**(Expressed in thousands of Renminbi, unless otherwise stated)*

	Nine months ended 30 September	
	2020	2019
	(unaudited)	(unaudited)
Cash and cash equivalents as at 1 January	17,766,563	22,521,114
Effect of foreign exchange rate changes on cash and cash equivalents	(58,228)	40,702
Cash and cash equivalents as at 30 September	11,536,333	10,642,668
Net cash flows generated from operating activities include:		
Interest received	11,916,745	9,030,400
Interest paid	(7,661,764)	(7,446,974)