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## OUR HISTORY, RESTRUCTURING AND OPERATIONAL REFORM

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### OUR HISTORY

Our predecessor, China Everbright Bank, was a financial enterprise established in 1992 with the approval of the State Council and the PBOC. At that time, we were wholly owned by China Everbright (Group). We obtained a financial institution license from the PBOC on April 29, 1992 and were registered with the SAIC on June 18, 1992. Our registered capital was RMB1,500 million upon establishment.

We were converted into a joint stock limited liability company in 1997. We completed our initial public offering of A Shares and listed our A Shares on the Shanghai Stock Exchange on August 18, 2010 (SH Stock Code: 601818). As of September 30, 2013, we had a registered capital of RMB40,434.79 million. As of the same date, we had 208,600 Shareholders.

We are an innovative, competitive and fast-growing PRC commercial bank that targets mid- to high-end customers. Since we commenced our operations on August 18, 1992 as a national commercial bank, we have provided a comprehensive and competitive range of financial products and services to retail and corporate banking customers, government authorities and financial institutions.

### Conversion into a Joint Stock Limited Liability Company

The PBOC approved our conversion into a joint stock limited liability company in 1997. We were incorporated under the name of China Everbright Bank Company Limited with a registered capital of RMB2,800 million. We received a new business license from the SAIC on July 6, 1999. We believe that we were the first state-controlled National Joint Stock Commercial Bank in the PRC to have an international financial organization as one of its shareholders. Upon our conversion into a joint stock limited liability company, we had 131 Promoters including China Everbright (Group), China National Tobacco Corporation Yunnan Company, and Asian Development Bank with China Everbright (Group) holding 51.07% of our Shares and the other 130 Promoters holding the remaining 48.93% of our Shares.

### Takeover of the Former China Investment Bank

Upon approval by the PBOC, we entered into an agreement with China Development Bank on March 18, 1999, pursuant to which we took over all the assets, liabilities and owner's equity of the former China Investment Bank, as well as its 137 outlets and 29 branches and sub-branches. As of March 18, 1999, the value of the assets, liabilities and owner's equity transferred to us, which were neither audited nor appraised by independent experts, amounted to approximately RMB65,429 million, RMB62,469 million and RMB2,960 million, respectively. We examined and appraised the assets we took over from the former China Investment Bank and reported the appraisal results to the MOF. According to our five-category classification system, the value of impaired assets of the former China Investment Bank amounted to approximately RMB27,535 million, including approximately RMB25,939 million of non-performing loans. In addition, the value of overdue interest from corporate borrowers of the former China Investment Bank amounted to approximately RMB4,780 million.

### Capital Increases and Capital Injection by Huijin and Private Placement

In 1999, we increased our registered capital by converting our capital reserve to paid-in capital. Our Shareholders received 5.4 new Shares for each 10 Shares they held, through which we issued 1,512 million new Shares in total. Upon completion of the conversion, our registered capital increased from RMB2,800 million to RMB4,312 million.

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In September 2001, we issued 3,157.9 million new Shares to existing and new Shareholders at a subscription price of RMB1.95 per Share. Upon completion of the capital increase, our registered capital increased from RMB4,312 million to RMB7,469.90 million.

In April 2002, we further increased our registered capital by converting our capital reserve to paid-in capital. Our Shareholders received one new Share for each 10 Shares they held. Upon conversion of our capital reserve to paid-in capital, our registered capital increased from RMB7,469.90 million to RMB8,216.89 million.

In November 2007, we received a capital injection denominated in US dollars from Huijin, which was equivalent to RMB20,000 million. Huijin subscribed for 20 billion new Shares at a subscription price of RMB1.00 per Share. Upon completion of the capital injection, our registered capital increased from RMB8,216.89 million to RMB28,216.89 million.

In August 2009, we completed a private placement in which we issued 5,217.90 million new Shares in aggregate to eight domestic investors at a subscription price of RMB2.20 per Share, increasing our registered capital from RMB28,216.89 million to RMB33,434.79 million.

### FINANCIAL RESTRUCTURING

Since 2007, we have completed the following financial restructuring measures upon approval by the State Council: (i) capital injection by Huijin; (ii) release from certain historical related party transactions with China Everbright (Group) and Everbright Finance; and (iii) disposal of impaired assets.

#### Capital Injection by Huijin

In November 2007, upon approval by the State Council and the CBRC, we received a capital injection denominated in US dollars from Huijin, which was equivalent to RMB20,000 million. Huijin subscribed for 20 billion new Shares at a subscription price of RMB1.00 per Share. Our registered capital accordingly increased to RMB28,216.89 million. As a result, Huijin became our controlling Shareholder with approximately 70.88% of our then total share capital.

See “Relationship with Our Controlling Shareholders and Connected Transactions” for information on Huijin.

#### Release from Certain Historical Related Party Transactions with China Everbright (Group) and Everbright Finance

Following approval from the State Council, we entered into a credit rights and debt restructuring agreement with China Everbright (Group) and Everbright Finance on July 20, 2007, pursuant to which the parties agreed to waive all overdue interest due to us from China Everbright (Group) on the outstanding loans as of June 30, 2007 and release all guarantees and pledges in relation to such loans in consideration for China Everbright (Group) repaying the principal of such loans within a given time and releasing all the guarantees previously provided by us in relation to the debts of China Everbright (Group). The principal amounts of such loans at that time were RMB1,858,668,700 and US\$32,094,132.78, respectively. We also agreed to waive all overdue interest due to us from Everbright Finance on the outstanding loans as of June 30, 2007 on the condition that Everbright Finance repay the principal amounts of such loans within a given time, which were US\$148,500,000 and HK\$162,000,000, respectively.

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In 2007, we recovered all the principal amounts of the loans granted to China Everbright (Group) and the placements granted to Everbright Finance as described above (namely RMB1,858,668,700 and US\$32,094,132.78 from China Everbright (Group) and US\$148,500,000 and HK\$162,000,000 from Everbright Finance, respectively). As of the Latest Practicable Date, all the guarantees we provided in respect to the debts of China Everbright (Group) had been released except for the guarantee for the interest it owed to a state-owned commercial bank in the amount of approximately RMB180 million. Pursuant to the arrangement between China Everbright (Group) and the state-owned commercial bank, the outstanding interest of approximately RMB180 million owed by China Everbright (Group) to the state-owned commercial bank will undergo a “debt-to-equity” swap such that the state-owned commercial bank will become a shareholder of an entity to be established by China Everbright (Group). Accordingly, our guarantee obligation for such outstanding interest will be released when the new entity is established and a separate debt-to-equity swap agreement is entered into between the state-owned commercial bank and China Everbright (Group). As of the Latest Practicable Date, the new entity has not yet been established.

### Disposal of Impaired Assets

In April 2008, we disposed of on a non-recourse basis, the impaired assets to China Cinda Asset Management Corporation, China Orient Asset Management Corporation and China Great Wall Asset Management Corporation, all being independent third parties to us, through a public bidding process. As of December 31, 2007, the original principal amount, accrual of provision for assets impairment and net book value of the above impaired assets amounted to RMB14,206 million, RMB12,354 million and RMB1,852 million, respectively. The total consideration we received for the disposal was RMB1,644 million. As of December 31, 2008, we had received the full amount of the consideration from the three asset management companies. We incurred a loss of RMB208 million in the disposal, being the difference between the consideration we received and the net book value of the impaired assets. The loss was reflected in our statement of comprehensive income for the year ended December 31, 2008. The disposal of these impaired assets had no impact on the profit or loss of us in the past years.

### A SHARES INITIAL PUBLIC OFFERING AND LISTING

We issued 6,100 million A Shares upon our initial public offering in August 2010 and issued an additional 900 million A Shares upon the exercise of the over-allotment option in September 2010. Our A Shares were listed and commenced trading on the Shanghai Stock Exchange (SH Stock Code: 601818) on August 18, 2010. Upon completion of the A Share Offering (including exercising the over-allotment option), our registered capital increased from RMB33,434.79 million to RMB40,434.79 million. The total proceeds from the A Share Offering (including exercising the over-allotment option) were RMB21,700 million.

### PROPOSED RESTRUCTURING

Along with Huijin and China Everbright (Group), we have been advised by relevant PRC authorities that the State Council has agreed in principle that appropriate adjustments should be made in order to facilitate the reorganization of China Everbright (Group), whereby certain equity interests in our Bank will be injected into China Everbright (Group) by Huijin in order to consolidate our accounts with China Everbright (Group) (the “Proposed Restructuring”). The Proposed Restructuring involves changes in shareholdings among our existing shareholders but does not affect the daily operations of our Bank. We made an announcement relating to the Proposed Restructuring on the Shanghai Stock Exchange on January 10, 2013. As a result of the announcement of the Proposed Restructuring, both Huijin and China Everbright (Group) are deemed as our controlling shareholders and are subject to the lock-up requirements under Rule 10.07 of the Listing Rules. For details of the lock-up undertakings of Huijin and China Everbright (Group), see “Underwriting – Underwriting Arrangements and Expenses – Undertakings”.

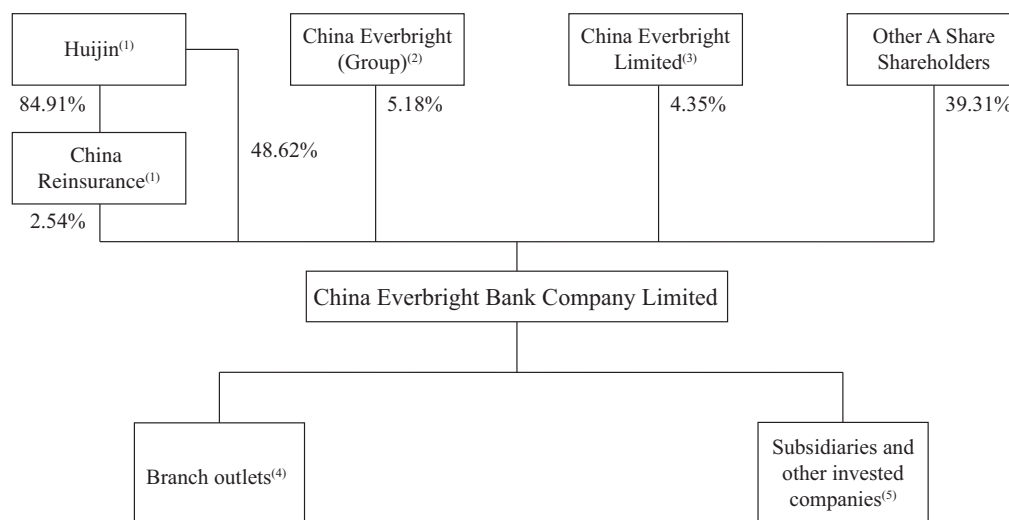
## OUR HISTORY, RESTRUCTURING AND OPERATIONAL REFORM

As of the Latest Practicable Date, we have not been notified of any further information on the Proposed Restructuring. We will announce the latest progress of the Proposed Restructuring as soon as practicable upon obtaining further information from the PRC authorities. For details of the waiver application in connection with the Proposed Restructuring, see “Waivers from Strict Compliance with the Listing Rules – Waiver in Relation to Non-Disposal of Shares by Huijin”.

### OUR SHAREHOLDING AND GROUP STRUCTURE

#### Prior to the Global Offering

The following chart sets out our shareholding and group structure, to the best knowledge of our Directors, immediately prior to the Global Offering and as of the Latest Practicable Date:



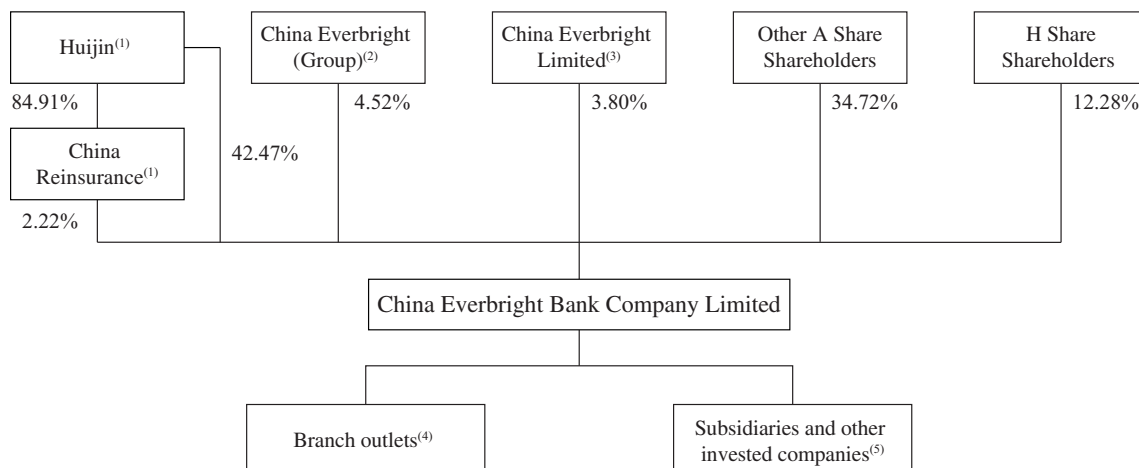
*Notes:*

- (1) As Huijin held 84.91% of the shares of China Reinsurance as of September 30, 2013, the interest held by China Reinsurance in our Bank is deemed to be the interest held by Huijin in our Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (2) China Everbright (Group) is a wholly state-owned company established on November 12, 1990 whose registered capital was wholly contributed by the MOF. China Everbright (Group) is a financial holding group which mainly engages in investment and management of banks, securities companies, insurance companies and other financial enterprises.
- (3) China Everbright Limited was established on August 25, 1972 and is a company listed on the Hong Kong Stock Exchange (HK Stock Code: 00165). Its authorized share capital was HK\$2,000 million and its issued share capital was HK\$1,720,561,712 as of June 30, 2013. China Everbright Limited provides financial services, including direct investment, asset management, brokerage and wealth management, investment banking and asset investment.
- (4) As of June 30, 2013, we had 807 branch outlets, including our Head Office, 37 tier-one branches, 42 tier-two branches and 727 network outlets (including one Hong Kong branch).
- (5) As of June 30, 2013, our Bank held 70% of the shares of Shaoshan Everbright Village Bank, 90% of the shares of Everbright Financial Leasing, 70% of the shares of Huai'an Everbright Village Bank and 2.56% of the shares of China UnionPay.
- (6) The above shareholders' equity calculations are subject to rounding.

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### Immediately Following Completion of the Global Offering

The following chart sets out our shareholding and group structure, to the best knowledge of our Directors, immediately following completion of the Global Offering (assuming neither the Offer Size Adjustment Option nor the Over-allotment Option is exercised):



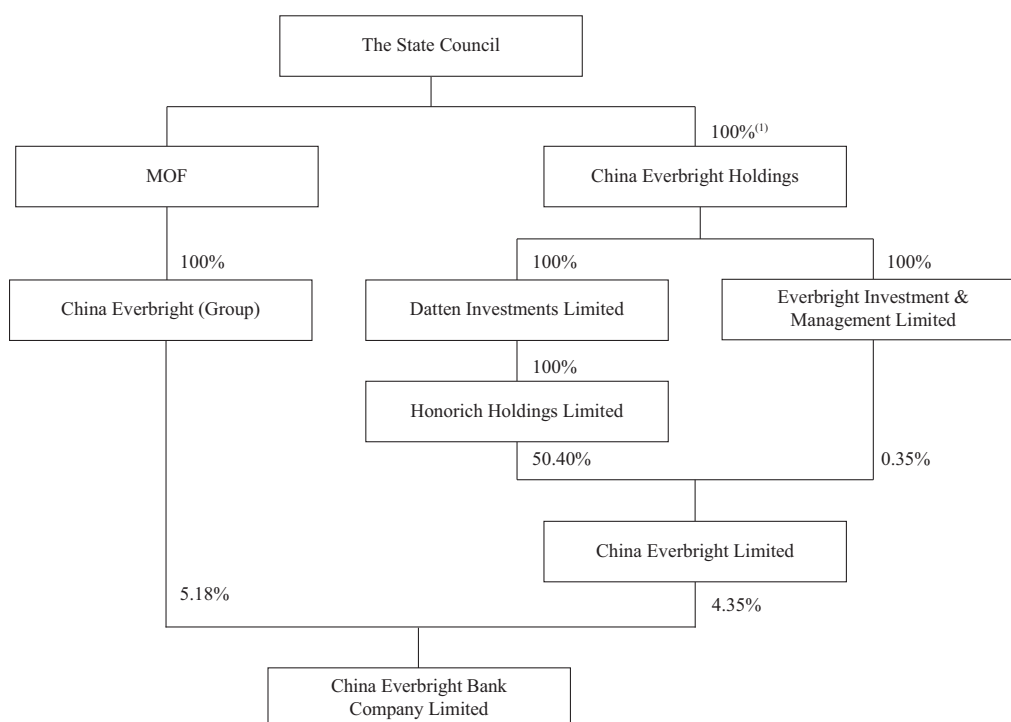
*Notes:*

- (1) As Huijin held 84.91% of the shares of China Reinsurance as of September 30, 2013, the equity interest held by China Reinsurance in our Bank is deemed to be the equity interest held by Huijin in our Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO.
- (2) China Everbright (Group) is a wholly state-owned company established on November 12, 1990 whose registered capital was wholly contributed by the MOF. China Everbright (Group) is a financial holding group which mainly engages in investment and management of banks, securities companies, insurance companies and other financial enterprises.
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- (4) As of June 30, 2013, we had 807 branch outlets, including our Head Office, 37 tier-one branches, 42 tier-two branches and 727 network outlets (including one Hong Kong branch).
- (5) As of June 30, 2013, our Bank held 70% of the shares of Shaoshan Everbright Village Bank, 90% of the shares of Everbright Financial Leasing, 70% of the shares of Huai'an Everbright Village Bank and 2.56% of the shares of China UnionPay.
- (6) The above shareholders' equity calculations are subject to rounding.

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### Relationship with China Everbright (Group) and China Everbright Limited

As of September 30, 2013, China Everbright (Group) held 2,093,991,629 Shares of the Bank, representing approximately 5.18% of our total Shares, and was our second largest Shareholder. As of September 30, 2013, China Everbright Limited held 1,757,581,229 Shares of the Bank, representing approximately 4.35% of our total Shares, and was our third largest Shareholder. The following chart sets out the shareholding structures of China Everbright (Group) and China Everbright Limited as of September 30, 2013:



*Note:*

- (1) China Everbright Holdings was funded by the State Council. Mr. TANG Shuangning and Mr. ZANG Qiutao are the nominal shareholders of China Everbright Holdings and hold the entire issued share capital of China Everbright Holdings for the benefit of the State Council.

### ***China Everbright (Group)***

China Everbright (Group) is a wholly state-owned company established on November 12, 1990 in China. All of its registered capital was contributed by the MOF. China Everbright (Group) is a financial holding group which mainly engages in investment and management of banks, securities companies, insurance companies and other financial enterprises. In addition to its shareholding in our Bank, China Everbright (Group) is also a shareholder of Everbright Securities and Sun Life Everbright.

We were wholly owned by China Everbright (Group) from our establishment in 1992 to our conversion into a joint stock limited company, and China Everbright (Group) was one of our Promoters when we were converted into a joint stock limited liability company in 1997. See the section “– Our History” above for details.

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### *China Everbright Limited*

IHD Holding Ltd. (明輝發展有限公司), the predecessor of China Everbright Limited, was established in Hong Kong on August 25, 1972 and listed on the Hong Kong Stock Exchange in February 1973 (HK Stock Code: 00165). China Everbright Holdings acquired the controlling interest of IHD Holding Ltd. in 1994 and renamed it as China Everbright Limited in 1997. As of December 31, 2012, its authorized share capital was HK\$2,000 million and its issued share capital was HK\$1,720,561,712. China Everbright Limited provides diversified financial services, including direct investment, asset and fund management, brokerage and wealth management and investment banking. In 1997, China Everbright Limited became our second largest Shareholder, with 20% of our then total share capital when China Everbright (Group) transferred 560 million Shares of the Bank to China Everbright Limited upon approval of the State Council and the PBOC.

China Everbright Holdings indirectly held 50.75% of the shares of China Everbright Limited as of December 31, 2012. China Everbright Holdings was funded by the State Council and was established in Hong Kong in May 1983 as a company with limited liability with a registered capital of HK\$500 million. Mr. TANG Shuangning and Mr. ZANG Qiutao are the nominal shareholders of China Everbright Holdings and hold the entire issued share capital of China Everbright Holdings for the benefit of the State Council.

### *Business Relationship with China Everbright (Group) and China Everbright Limited*

We provide commercial banking services to China Everbright (Group) and China Everbright Limited in our ordinary course of business on normal commercial terms, including taking deposits, granting loans, providing guarantees and providing intermediary services. See Note 46 to the Accountants' Report in Appendix I to this prospectus and "Relationship with our Controlling Shareholders and Connected Transactions – Connected Transactions" for details.

On March 20, 2008, we entered into a trademark license agreement with China Everbright (Group), pursuant to which we were granted a license to use its "光大," "Everbright" and "EB" trademarks for nil consideration. On December 29, 2009, China Everbright (Group) undertook to us that it would, in accordance with the relevant provisions in the Trademark Law of the People's Republic of China (中華人民共和國商標法), perform the renewal procedures with the trademark registration authorities in the PRC in relation to the above three trademarks in due course before their expiration. After the renewal, on the condition of the full performance by our Bank of the trademark license agreement entered into between the parties, China Everbright (Group) will continue to license the use of these trademarks to our Bank for nil consideration with no time limit being specified. See "Relationship with our Controlling Shareholders and Connected Transactions – Connected Transactions" for details.

### *Management Overlap with China Everbright (Group) and China Everbright Limited*

Some of our Directors, Supervisors and senior management members also currently hold positions in China Everbright (Group) and China Everbright Limited, including:

- Mr. TANG Shuangning, our Chairman of the Board of Directors and Non-executive Director, is the chairman of the board of directors of China Everbright (Group) and the chairman of the board of directors of China Everbright Limited;
- Mr. LUO Zhefu, our Vice Chairman of the Board of Directors and Non-executive Director, is an executive director and the general manager of China Everbright (Group);
- Mr. GUO You, our Executive Director and President, is the vice chairman of the board of directors of China Everbright (Group); and
- Mr. CHEN Shuang, our Shareholder representative Supervisor, is an executive director and chief executive officer of China Everbright Limited.

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Our Directors, Supervisors and senior management members manage and operate the Bank and its business strictly in accordance with the relevant laws and regulations and our Articles of Association, including the provisions on their obligations to act in good faith and in the best interests of the Bank.

### **Our Subsidiaries**

#### ***Shaoshan Everbright Village Bank***

Upon approval by the CBRC Hunan Office, we established Shaoshan Everbright Village Bank with Sany Group Co., Ltd. (三一集團有限公司), Changsha Tongcheng Holding Co., Ltd. (長沙通程控股股份有限公司), Hunan Poly Real Estate Development Co., Ltd. (湖南保利房地產開發有限公司) and Shaoshan City Construction Investment Company Limited (韶山市城市建設投資有限責任公司) on September 24, 2009. The registered capital of Shaoshan Everbright Village Bank was RMB50 million. As of September 30, 2013, we held 70% of the equity interest of Shaoshan Everbright Village Bank.

Shaoshan Everbright Village Bank commenced its operations on October 28, 2009. Its scope of business includes taking deposits, granting short-term, medium-term and long-term loans, domestic settlement, bill acceptance and discounting, inter-bank placing, bank cards, agency issue, agency acceptance, underwriting of government bonds, agency collection and payment, insurance agency and other businesses as approved by the CBRC.

#### ***Everbright Financial Leasing***

Following approval by the CBRC, we established the Everbright Financial Leasing with Wuhan New Harbor Construction and Investment Development Group Co., Ltd. (武漢新港建設投資開發集團有限公司) and Wuhan Rail Transit Construction Co., Ltd. (武漢市軌道交通建設公司) on May 19, 2010. The registered capital of Everbright Financial Leasing was RMB800 million. As of September 30, 2013, we held 90% of the equity interest of Everbright Financial Leasing.

Everbright Financial Leasing commenced its operations on June 18, 2010. Its scope of business includes financial leasing, taking fixed-term (one year or longer) deposits from non-bank shareholders, taking lease deposits, transferring lease payment receivables to commercial banks, issuing financial bonds upon regulatory approval, borrowing and lending among financial leasing companies, borrowing from financial institutions, overseas foreign currency loans, sales and disposals of residual leased objects, economic consulting and other businesses as approved by the CBRC.

#### ***Huai'an Everbright Village Bank***

Upon approval by the CBRC Jiangsu Office and the CBRC Huai'an Office, we established Huai'an Everbright Village Bank with Jiangsu Golden Fox Garment Co., Ltd. (江蘇金狐狸服飾有限公司), Huai'an Shuanglong Weiye Technology Co., Ltd. (淮安市雙龍偉業科技有限公司), Jiangsu Taihua Pharmaceutical Company Limited (江蘇泰華醫藥有限責任公司) and Nanjing Mengdu Tobacco Packing Co., Ltd. (南京夢都煙草包裝有限公司) on February 1, 2013. The registered capital of Huai'an Everbright Village Bank was RMB100 million. As of September 30, 2013, we held 70% of the equity interest of Huai'an Everbright Village Bank.

Huai'an Everbright Village Bank commenced its operations on May 14, 2013. Its scope of business includes taking deposits, granting short-term, medium-term and long-term loans, domestic settlement, bill acceptance and discounting, inter-bank placing, debit cards, agency issue, agency acceptance, underwriting of government bonds, agency collection and payment, insurance agency and other businesses as approved by the CBRC.



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### OPERATIONAL REFORM

In recent years, we have continued to improve our management and operations and have become more market-oriented and closer to international standards of best practice. We have implemented substantive reform and improvement measures in areas including organizational structure, business process, risk management, financial management, human resources management and information technology. Our operational reform is reflected in the following fields:

#### Organizational Structure

To improve our management and operation capabilities, enhance our overall efficiency, implement our operational strategies and develop our business, we have continued to reform our operational structure with an aim to increase the market share of our major products and services by:

- implementing a vertical management system consisting of credit approval, personnel management, risk management, financial management and internal audit;
- strengthening the specialized management of front, middle and back offices and building operating centers at both our Head Office and branches, continuing to take steps to develop centralized operation systems for both our corporate and retail banking businesses and for our disbursement centers, bills centers and other functional centers, in order to enhance the ability of middle and back offices to support the business development of the front offices and the ability and efficiency of our Head Office and branches to support our basic branch level;
- strengthening the centralized and specialized operations of our corporate banking business, setting up specialized marketing departments focusing on mainstream businesses and products while taking into account the characteristics of regional markets, strengthening the organization of marketing activities, planning and product development of the corporate banking business and forming a coordinated operational structure between our Head Office and branches and between our direct marketing departments and marketing support departments; and
- establishing a marketing model in which customer relationship managers, risk managers and product managers of our corporate banking business work in parallel with one another and systematically promote our marketing activities; building a comprehensive operation system which includes marketing organization, risk control, product research and development and client management of the corporate banking business. We plan to gradually improve our “four in one” innovation management mechanism, which consists of consultancy, supervision, reward and evaluation.

#### Business Process

To facilitate the centralized operations of our business and improve our capabilities in specialized marketing, risk control and allocation of resources, we have continued to improve our business processes by:

- forming and strengthening the management of distinct business lines, developing new business areas and enhancing their core competitiveness;
- restructuring our organizational structure, reforming our retail banking business processes, building a vertical and centralized management system for retail credit business and realizing the separation of risk management and business operations in relation to the personal credit business. We have set up retail loan business centers at the branch level. Phase I of our retail credit risk management system was put into operation, which can be applied through the entire retail credit management process including loan application, online approval, loan granting and

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post-disbursement management. Taking into account our customers' needs, we selected the locations of our outlets in a systematic manner and deployed the outlets appropriately. We also optimized our business process, standardized our services and strengthened our marketing efforts in order for our sub-branches to act as the sales centers and customer service centers of our retail banking business and to provide more convenient, specialized and individualized services to our customers;

- steadily pushing forward the centralized operation of our corporate banking business by centralizing the lending and processing of our corporate banking business, strengthening the centralized management and organization of marketing activities, implementing centralized deployment and control of resources, establishing a clear cost sharing and calculation mechanism for different businesses, reinforcing cross-selling efforts, realizing centralized management of operational risks, intensifying business operations, effectively improving our abilities in relation to specialized marketing, risk control, market identification, resource and output deployment for our corporate banking business, achieving operational risk control, improving operational and cost efficiencies and preliminary formation of a centralized operation management model consisting of clearing, settlement, disbursement, bills and other major operations;
- implementing a market-oriented allocation of capital, assets and liabilities across our Bank, establishing the “market-oriented fund operation platform” (市場化資金運作平台), preliminarily forming an internal financial market within our Bank and interconnecting such businesses with our treasury business, bill business and inter-bank business in order to enhance the treasury management efficiency of our Bank; and
- continually optimizing our operation processes. Our centralized core business system provides a good basis for the constant optimization of business operation processes. Based on the requirements of branches and operating departments, our Head Office has enhanced and reformed the operation process of the core business system to integrate our operations and to use such system to strictly control operational risks.

### **Risk Management**

Following the basic framework and core philosophies of Basel II and III, we have continued to improve our overall risk management system by:

- forming an overall risk management organizational structure under the leadership of the Board of Directors with a clear division of duties and responsibilities to ensure independent risk management, implementing an organizational structure featuring vertical management of credit risk, centralized management of market risk and hierarchical management of operational risk and compliance risk and appointing chief risk officers to our branches and major business line departments of our Head Office;
- setting up and implementing procedures and measures in relation to the identification, assessment, measurement, monitoring, reporting and control of various risks and using such tools as operational risk and control self-assessment (RCSA) to optimize procedures and improve efficiency;
- establishing a uniform overall risk policy system covering credit risk, market risk, operational risk, concentration risk, reputation risk, strategy risk, liquidity risk and compliance risk and implementing a standard policy management procedure featuring hierarchical management, experts' participation, regular review and constant improvement;

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- formulating a master plan for the establishment of a comprehensive risk management system and gradually building a technical support system for the effective measurement, analysis and management of credit risk, market risk and operational risk. We have completed a corporate credit and inter-bank credit management system which integrates the functions of credit application and approval, group customer management, credit extension and disbursement management, post-disbursement management, early warning, loan classification and statistical analysis. We have also completed the personal loan management system, market risk management system, operational risk management system and other systems. At the same time, we have established an internal credit rating system based on the AIRB (Advanced Internal Rating-Based method) standard of the New Basel Capital Accord, and a strategy support system for risk management and capital management focusing on risk appetite by means of economic capital and portfolio management; and
- promoting a proactive risk management culture of “creating value through effective risk management,” setting up the risk strategy, risk appetite and risk tolerance level of the entire Bank, gradually implementing economic capital management, promoting our risk management philosophy and enhancing risk awareness through specialized training, competence certification and risk management performance assessment.

### **Financial Management**

In recent years, we have taken the following measures to improve our financial management:

- introducing an advanced SAP system to establish a unique financial and accounting system based on independent general ledgers and a management accounting system incorporating key factors such as cost calculation and allocation and funds transfer pricing that provides centralized financial management (including centralized management of expense reimbursements, capital expenditures and financial data and information), management of the accounts for financial budgeting and accounting by different products, business lines in accordance with the management accounting requirements and a data support platform for business development and financial management;
- developing business budgeting and financial budgeting for different products and business lines in our management accounting system and establishing a comprehensive budget system based on products, internal fund transfer pricing and cost allocation method, which applies to all branches and business lines;
- starting to set economic profit as a key performance indicator in appraising our operations and management, promoting a comprehensive value management system and performance appraisal mechanism with a focus on economic profit; and
- gradually adjusting the organizational structure of our financial management and implementing a vertical management system placing branch heads in charge of financial related matters and general managers in charge of the planning and finance departments of branches. Meanwhile, we have strengthened the training of financial management personnel and implemented a qualification examination system applicable to these personnel, with a view to increasing the level of their professional skills.

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### Human Resources Management

We have taken or are taking various measures to improve our human resources management, including:

- initiating strategic planning and optimizing human resources allocation to improve the standard of our human resources management and provide sufficient human resources to facilitate the development of our businesses and improvement of our operations;
- deepening the reform of our employment system, formalizing and expanding career development paths for our employees, and improving the planning and management of training programs and the skills of our employees;
- creating a human resources management information platform shared by the entire Bank to enhance the efficiency of human resources management, and develop a refined and standardized management; and
- developing a centralized, standardized and systematic management of recruitment and staffing in our Bank that provides a foundation to further improve the overall quality of our employees.

### Information Technology

We consider information technology to be a key driver for establishing our Bank as one of the most innovative commercial banks in China, and have thus adopted the following policies and measures:

- adhering to the principle of excellence in information technology to achieve our objectives of safety in operations, outstanding service and value creation;
- enhancing our business support and expansion capabilities through construction and operation of a comprehensive information technology system;
- enhancing our information security and risk management with respect to our outsourced projects through establishing a comprehensive technology-based risk management system so as to maintain information technology risks at a reasonable level;
- adhering to international rules and standards to establish a comprehensive quality management system comprised of process quality, product quality and service quality;
- establishing and optimizing organization of and policies for technological innovation and developing a healthy culture that promotes innovation to effectively support our product and service model innovation;
- proactively managing data and providing data services through construction and operation of our database system so as to achieve the goal of value creation through effective utilization of business data; and
- establishing and optimizing our infrastructure and disaster recovery system to ensure our overall business operations and expansion.

OUR ORGANIZATIONAL STRUCTURE

The following chart sets forth our Bank's organizational structure as of the Latest Practicable Date:

