浙商银行股份有限公司
CHINA ZHESHANG BANK CO., LTD.

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

Stock Code : 2016

GLOBAL OFFERING

Joint Sponsors

中信證券 CITIC CLSA Securities | CICC 中金香港证券 | Goldman Sachs | 農銀國際 ABC INTERNATIONAL

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海通國際 HAITONG | 華融國際證券有限公司 HUARONG INTERNATIONAL SECURITIES LIMITED | BOC INTERNATIONAL | 建银国际 CCB International

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.

浙商银行股份有限公司
CHINA ZHESHANG BANK CO., LTD.

CHINA ZHESHANG BANK CO., LTD.*
浙 商 銀 行 股 份 有 限 公 司 *

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

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	**: 3,300,000,000 H Shares (comprising 3,000,000,000 H Shares to be offered by the Bank and 300,000,000 Sale Shares to be sold by the Selling Shareholders, subject to the Over-allotment Option)**
Number of Offer Shares in the International Offering	**: 3,135,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**: 165,000,000 H Shares (subject to adjustment)**
Maximum Offer Price	**: HK$4.12 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**: RMB1.00 per H Share**
Stock code	**: 2016**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix IX—Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date, which is expected to be on or around Monday, March 21, 2016 (Hong Kong time) and, in any event, not later than Tuesday, March 29, 2016 (Hong Kong time). The Offer Price will be not more than HK$4.12 per H Share and is currently expected to be not less than HK$3.92 per H Share. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$4.12 per Hong Kong Offer Share, unless otherwise announced, together with a brokerage fee of 1%, a Hong Kong Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027%, subject to refund if the Offer Price should be lower than HK$4.12.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent (for ourselves and on behalf of the Selling Shareholders), reduce the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares being offered in the Global Offering and/or the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Bank at www.czbank.com and the website of the Hong Kong Stock Exchange at www.hkexnews.hk not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed on or before Tuesday, March 29, 2016 between the Joint Global Coordinators (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders), the Global Offering will not proceed and will lapse.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and that there are different risk factors relating to investment in PRC-incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections entitled "Risk Factors", "Supervision and Regulation", "Appendix V—Summary of Principal Legal and Regulatory Provisions" and "Appendix VI—Summary of Articles of Association" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section entitled "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may only be offered, sold, pledged or transferred (i) within the United States to QIBs in reliance on Rule 144A or in reliance on another exemption from registration requirements under the U.S. Securities Act or (ii) outside the United States in accordance with Regulation S.

March 16, 2016

* *China Zheshang Bank Co., Ltd. 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.*

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Monday, March 21, 2016
Application lists open[3]	11:45 a.m. on Monday, March 21, 2016
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Monday, March 21, 2016
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Monday, March 21, 2016
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, March 21, 2016
Application lists close	12:00 noon on Monday, March 21, 2016
Expected Price Determination Date[5]	Monday, March 21, 2016
(1) Announcement of: • the Offer Price; • the level of applications in the Hong Kong Public Offering; • the level of indications of interest in the International Offering; and • the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and on our Bank's website at **www.czbank.com**[6] on or before	Tuesday, March 29, 2016
(2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available through a variety of channels. See "How to Apply for Hong Kong Offer Shares—11. Publication of Results") from	Tuesday, March 29, 2016
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** with a "search by ID" function	Tuesday, March 29, 2016
H Share certificates in respect of wholly or partially successful applications to be dispatched on[7][8]	Tuesday, March 29, 2016
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on[9][10]	Tuesday, March 29, 2016
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on	Wednesday, March 30, 2016

Notes:

(1) All times refer to Hong Kong local time, except otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set out in the section entitled "Structure of the Global Offering" of this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, March 21, 2016, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists" of this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section entitled "How to Apply for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" of this prospectus.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, March 21, 2016, and in any event no later than Tuesday, March 29, 2016. If, for any reason, the Offer Price is not agreed on or before Tuesday, March 29, 2016, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, March 30, 2016, provided that (i) the Global Offering has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

(8) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, March 29, 2016. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chops. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section entitled "How to Apply for Hong Kong Offer Shares" of this prospectus.

(9) Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the application payment account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions through the **White Form eIPO** service, in the form of refund cheques, by ordinary post at their own risk.

(10) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date, which is expected to be March 30, 2016. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. For further details in relation to the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

CONTENTS

This prospectus is issued by China Zheshang Bank Co., Ltd. solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or supervisors, or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares. There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in the section entitled "Risk Factors" of this prospectus. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

We are the only nationwide joint-stock commercial bank headquartered in Zhejiang. By adopting a "full-asset class operation"[(1)] strategy, we have achieved rapid growth, efficient operations and solid asset quality. As of December 31, 2014, we ranked 11th, in terms of total assets, among the 12 nationwide joint-stock commercial banks in the PRC with main business presence in Eastern China (including Zhejiang, Jiangsu and Shanghai). We believe we have great development potential given, among other things, the increasing market share of the nationwide joint-stock commercial banks in the PRC banking industry and our ability to leverage our nationwide license, our relatively short operation history compared to other nationwide joint-stock commercial banks, our expanding geographical presence and the increasing revenue contribution from our business outside Zhejiang and our transition from traditional banking business focusing on credit assets to the "full-asset class operation". We ranked 145th in the "Top 1000 World Banks 2015" in terms of total assets according to *The Banker*. We were awarded a credit rating of AAA in 2015 by CCXI, which is the highest credit rating that CCXI has granted to a financial institution in the PRC. According to the CBRC Zhejiang Office, as of December 31, 2014, our total assets, total loans and total deposits in Zhejiang accounted for 4.5%, 1.7% and 1.6% of total assets, total loans and total deposits of banking institutions in Zhejiang.

During the Track Record Period, our business has grown at a faster rate as compared with the listed nationwide joint-stock commercial banks. Our total assets grew at a CAGR of 30.4% from December 31, 2012 to December 31, 2014, which was higher than the average level of Hong Kong listed city commercial banks during the same period. As of September 30, 2015, our total assets amounted to RMB1,004,315 million, representing an increase of 49.9% as compared to December 31, 2014. Both of such growth rates were higher than that of all listed nationwide joint-stock commercial banks during the same periods, as well as the overall growth of all banking institutions in the PRC for the period from December 31, 2012 to December 31, 2014 and the overall growth of all commercial banks in the PRC from December 31, 2014 to September 30, 2015. From 2012 to 2014, our operating income and pre-provision profit grew at a CAGR of 28.9% and 33.1%, respectively, and such growth rates were higher than that of all Hong Kong listed joint-stock commercial banks and the average level of Hong Kong listed city commercial banks during the same period. From 2012 to 2014, our post-provision profit before tax grew at a CAGR of 12.6%, which ranked second as compared with Hong Kong listed nationwide joint-stock commercial banks. The average CAGR of post-provision profit before tax of Hong Kong listed city commercial banks during the same period was 24.0%. For the nine months ended September 30, 2015, our net profit amounted to RMB5,637 million, representing an increase of 26.8% as

(1) Our operation strategy and model are such that in addition to continuing to develop our traditional credit business, we strengthen our cooperation with banks, non-banking financial institutions and other quasi-financial institutions, achieve a coordinated and efficient management of our financial markets business (including businesses in credit markets, money markets, capital markets and foreign exchange markets), and promote the diversified development of our credit assets, inter-bank assets and investment assets. Through integrated operations and business synergies, we provide our customers with comprehensive financial solutions and continue to strengthen our market and customer experience-oriented product and business model innovation. Our "full-asset class operation" strategy also enables us to optimize our liabilities on the basis of our operation capabilities and strategically and tactically match our assets and liabilities in terms of sources, maturities and costs, which in turn helps us to reshape our balance sheet and enhance our market competitiveness.

compared to the same period in 2014, and such growth rate was also higher than all listed nationwide joint-stock commercial banks and the overall growth of all commercial banks in the PRC during the same period. For the year ended December 31, 2014, our ROE was 16.72% and the average ROE of the Hong Kong listed city commercial banks was 17.99%. For the nine months ended September 30, 2015, our ROE was 18.66%, which was approximately 70 basis points higher than the average ROE of listed nationwide joint-stock commercial banks during the same period. We believe that we outpaced many of our peers in terms of our growth during the Track Record Period due to, among other things, the successful implementation of our "full-asset class operation" strategy and our key competitive strengths. For details of our strengths, see "Business—Our Strengths".

We have also adopted prudent risk management and internal control measures while we have achieved rapid growth. Our asset quality was one of the best among nationwide joint-stock commercial banks during the Track Record Period. As of September 30, 2015, our non-performing loan ratio was 1.22%, which was lower than all listed nationwide joint-stock commercial banks. As of the same date, our allowance to non-performing loans and allowance to total loans were 227.61% and 2.78%, respectively, both of which were higher than most of the listed nationwide joint-stock commercial banks. As of December 31, 2014, our non-performing loan ratio, allowance to non-performing loans and allowance to total loans were 0.88%, 292.96% and 2.59%; the average level of non-performing loan ratio, allowance to non-performing loans and allowance to total loans of the listed nationwide joint-stock commercial banks were 1.13%, 213.84% and 2.41%; and the average level of non-performing loan ratio, allowance to non-performing loans and allowance to total loans of the Hong Kong listed city commercial banks were 0.85%, 281.43% and 2.27%, respectively.

City commercial banks are generally limited to engage in commercial banking activities within their respective designated geographic areas and with relatively smaller business scale. Our Bank, as a nationwide joint-stock commercial bank, has been operating with a larger business scale than most of the city commercial banks. Due to difference in geographic areas and business scales, our financial ratios may be diverged and different from those of city commercial banks and may not be directly comparable to those of city commercial banks.

As of September 30, 2015, we have established approximately 130 outlets in 11 provinces and provincial level municipalities, including Beijing, Shanghai and Jiangsu, as well as all of the prefecture-level cities in Zhejiang, covering the Yangtze River Delta Area, the Bohai Rim Area, the Pearl River Delta Area and certain other areas in Central and Western China. We are developing our Hong Kong branch in order to increase our international presence. Capitalizing on our core financial strength, we actively develop distinctive internet financial services. We have established various cooperative business relationships with leading nationwide internet enterprises, including Baidu ("百度") and Alipay ("支付寶"), by integrating internet technology into our business and maintaining an internet-focused mindset. In addition, by improving our products, services and management systems, we are able to provide diverse, safe and convenient financial services to new customers originating from the "new normal" economy in the PRC.

We operate three principal lines of business: corporate banking, retail banking and treasury business. The following table sets out the contribution of each segment of business to our total operating income for the periods indicated:

	For the year ended December 31,						For the nine months ended September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	In millions of RMB, except for percentages							
Corporate Banking	7,843	74.9%	10,031	74.3%	12,329	70.9%	9,693	55.3%
Retail Banking	1,345	12.9%	1,567	11.6%	1,994	11.5%	1,693	9.7%
Treasury Business	1,254	12.0%	1,865	13.8%	3,039	17.5%	6,128	34.9%
Others(1)	24	0.2%	32	0.2%	35	0.2%	27	0.2%
Total	**10,466**	**100.0%**	**13,496**	**100.0%**	**17,397**	**100.0%**	**17,541**	**100.0%**

Note:
(1) Others primarily includes assets, liabilities, revenue and expenses that cannot be directly attributed to certain segments.

For details of our business, see "Business—Our Principal Businesses".

OUR STRENGTHS

Our key competitive strengths include:

- We are a nationwide joint-stock commercial bank with leading growth rates and efficient operations and management;
- We have successfully transitioned from a traditional banking business focusing on credit assets to a "full-asset class operation", which allows us to achieve synergy and growth among different business segments;
- To meet our corporate customers' liquidity management demands, we have established an innovative corporate banking business featuring specialized "pooled financing" services;
- We have leading professional capabilities with respect to the small and micro enterprise business;
- We have a solid foundation for developing our internet financial services supported by significant regional strength and influential partners;
- We have maintained solid asset quality through our prudent risk management; and
- We have experienced management team, diversified shareholding structure and results oriented and efficient corporate culture.

For details of our strengths, see "Business—Our Strengths".

OUR STRATEGIES

We aim to become the most competitive nationwide joint-stock commercial bank and Zhejiang's most important financial platform. To achieve our strategic objective, we conduct business in accordance with our "full-asset class operation" strategy. This means that in addition to continuing to develop our traditional credit business, we strengthen our cooperation with banks, non-banking financial institutions and other quasi-financial institutions, achieve a coordinated and efficient management of our financial markets business (including businesses in credit markets, money markets, capital markets and foreign exchange markets), and promote the diversified development of our credit assets, inter-bank assets and investment assets. Through integrated operations and business synergies, we provide our customers with comprehensive financial solutions and continue to strengthen our market and customer experience-oriented product and business model innovation. Our “full-asset class operation” strategy also enables us to optimize our liabilities on the basis of our operation capabilities and strategically and tactically match our assets and liabilities in terms of sources, maturities and costs, which in turn helps us to reshape our balance sheet and enhance our market competitiveness.

Our cooperation with banks, non-banking financial institutions and other quasi-financial institutions is the cornerstone of our inter-bank business. See “Business—Our Principal Business—Treasury Business”. In particular, we have increased our credit limits granted from large-scale banks, such as policy banks, Large Commercial Banks and other nationwide joint-stock commercial banks; we have enhanced our communication and cooperation with non-banking financial institutions in various fields, including assets management and funds custody services; and we have strengthened cooperation with foreign banks, foreign assets management institutions and other overseas institutions.

To achieve our goal, we plan to take the following measures.

- Improve our corporate banking operations by enriching service offerings and optimizing our customer structure;
- Strengthen our small and micro enterprises business by providing comprehensive services;
- Enhance our retail banking business by implementing customer segmentation as well as product and platform innovation;
- Participate in various financial market businesses and benefit from the rapid development of the financial industry;
- Further improve our organizational structure and management system as well as strengthen our comprehensive risk management;
- Actively develop our internet financial services in tandem with the expansion of our branch outlets with an aim to become an information technology based bank with physical, virtual, online and offline services; and
- Further improve our human resource management system and optimize our talent structure.

For details of our strategies, see “Business – Our Strategies”.

RISK FACTORS

There are risks associated with any investment. There are certain risks and considerations relating to an investment in our Shares, including:

- If we are unable to effectively maintain the quality of our loan portfolio, our business, financial condition and results of operation may be materially and adversely affected;
- We are subject to risks of having our business concentrated in the Yangtze River Delta Area and the uncertainties relating to government policies promoting the development of the Yangtze River Delta Area. Any unfavorable change to the economic development or social conditions of the Yangtze River Delta Area may materially and adversely affect our business, financial condition, results of operations and prospects;

- If we are not effective in designing or implementing our risk management policies and procedures or fail to use information technology systems to support the improvement of our risk management and internal controls, our business, financial condition, results of operations and prospects, could be materially and adversely affected;
- We may face difficulties in meeting regulatory requirements relating to capital adequacy and other aspects in the future;
- We are exposed to liquidity risk arising out of the mismatches between the maturities of our assets and liabilities, which may result in us being unable to meet our obligations in a timely manner and could materially and adversely affect our business, financial condition, results of operations and/or prospects;
- We face intense competition from other banks and financial institutions in the PRC banking industry, as well as competition from alternative investment and financing channels;
- Our investments in trust plans managed by trust companies, asset management plans managed by securities and insurance organizations and wealth management products issued by other PRC commercial banks imply some inherent risks which could materially and adversely affect our profitability and liquidity;
- Our current provisions of enforcing voting restrictions may be subject to more stringent regulatory requirements in the future which in turn could lead to additional costs;
- Interest rate liberalization and other market risks arising from changes in the regulatory environment in the PRC banking industry may materially and adversely affect our results of operations; and
- We may be subject to sanctions or other penalties if we are involved in transactions that violate relevant economic sanctions regulations.

During the Track Record Period, a very small number of our customers were involved in commercial transactions involving counterparties located in Sanctioned Countries, such as Iran, Sudan and Syria, and in countries with a higher risk of the presence of Sanctioned Persons, such as Belarus, Cote d'Ivoire, Libya, Myanmar and Zimbabwe. We processed a small amount of remittances for our customers in connection with such commercial transactions but did not engage directly in any business activities in any such countries. For details of our customers' transactions and the relevant risk analyses, see "Risk Management—Our Customers' Transactions Involving Sanctioned Countries".

For details of the risk factors relating to the investment in us, see "Risk Factors". You should read the section in its entirety before you decide to invest in our Shares.

SUMMARY HISTORICAL FINANCIAL INFORMATION

You should read the summary historical financial information set out below in conjunction with our financial information included in the Accountant's Report set out in Appendix I to this prospectus, which are prepared in accordance with IFRS, and the sections entitled "Description of Our Assets and Liabilities" and "Financial Information" of this prospectus. The summary historical income statement data for the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2014 (unaudited) and the nine months ended September 30, 2015 and the summary historical statement of financial position data as of December 31, 2012, 2013 and 2014 and September 30, 2015 set out below are derived from the Accountant's Report set out in Appendix I to this prospectus.

Summary Historical Statements of Comprehensive Income Data

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(In millions of RMB)				
Interest income	18,489	23,013	32,198	23,235	34,352
Interest expense	(8,997)	(11,898)	(17,663)	(12,718)	(19,345)
Net interest income	**9,492**	**11,115**	**14,535**	**10,517**	**15,008**
Fee and commission income	969	2,366	2,691	1,929	2,411
Fee and commission expense	(92)	(47)	(70)	(54)	(88)
Net fee and commission income	**878**	**2,319**	**2,621**	**1,875**	**2,323**
Net trading gains/(losses)	51	5	86	61	(171)
Net gains/(losses) on financial investments	7	(3)	42	22	315
Other operating income	39	59	112	21	66
Operating income	**10,466**	**13,496**	**17,397**	**12,495**	**17,541**
Operating expenses	(4,045)	(5,271)	(6,028)	(4,390)	(5,296)
Impairment losses on assets	(1,063)	(1,703)	(4,576)	(2,178)	(4,740)
Operating profit	**5,359**	**6,521**	**6,792**	**5,927**	**7,505**
Profit before income tax	5,359	6,521	6,792	5,927	7,505
Income tax expense	(1,333)	(1,620)	(1,697)	(1,482)	(1,868)
Net profit attributable to shareholders of the Bank	**4,026**	**4,901**	**5,096**	**4,445**	**5,637**

For details, see “Financial Information”.

Summary Historical Statements of Financial Position Data

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Assets								
Loans and advances to customers	182,306	46.3%	217,137	44.5%	259,023	38.7%	339,138	33.8%
Allowance for impairment losses	(3,565)	(0.9%)	(4,566)	(0.9%)	(6,710)	(1.0%)	(9,412)	(0.9%)
Loans and advances to customers, net	178,740	45.4%	212,571	43.5%	252,312	37.7%	329,726	32.8%
Financial investments	30,151	7.7%	44,571	9.1%	236,466	35.3%	459,940	45.8%
Financial assets at fair value through profit or loss	1,659	0.4%	2,177	0.4%	4,191	0.6%	8,699	0.9%
Derivative financial assets	8	0.0%	51	0.0%	113	0.0%	298	0.0%
Due from banks and other financial institutions	117,726	29.9%	158,521	32.5%	93,686	14.0%	110,811	11.0%
Cash and balances with central bank	61,018	15.5%	64,356	13.2%	75,427	11.3%	84,405	8.4%
Others(1)	4,538	1.2%	5,871	1.2%	7,762	1.2%	10,436	1.0%
Total assets	**393,839**	**100.0%**	**488,117**	**100.0%**	**669,957**	**100.0%**	**1,004,315**	**100.0%**
Liabilities								
Due to banks and other financial institutions	91,744	24.7%	127,342	27.7%	214,998	33.8%	344,740	36.0%
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	500	0.1%
Derivative financial liabilities	6	0.0%	54	0.0%	207	0.0%	381	0.0%
Customer deposits	266,888	71.9%	319,795	69.5%	363,280	57.0%	500,345	52.3%
Income tax payable	557	0.2%	603	0.1%	835	0.1%	1,359	0.1%
Debt securities issued	4,450	1.2%	5,950	1.3%	47,898	7.5%	95,448	10.0%
Other liabilities	7,485	2.0%	6,564	1.4%	9,589	1.5%	13,927	1.5%
Total liabilities	**371,130**	**100.0%**	**460,308**	**100.0%**	**636,807**	**100.0%**	**956,700**	**100.0%**
Shareholders' equity								
Share capital	10,007	44.1%	11,507	41.4%	11,507	34.7%	14,510	30.5%
Capital reserve	4,946	21.8%	6,536	23.5%	6,536	19.7%	12,181	25.6%
Surplus reserve	1,070	4.7%	1,560	5.6%	2,070	6.2%	2,070	4.3%
Statutory general reserve	2,031	8.9%	3,845	13.8%	4,639	14.0%	8,241	17.3%
Investment revaluation reserve	(4)	(0.0%)	(96)	(0.3%)	150	0.5%	330	0.7%
Retained earnings	4,659	20.5%	4,456	16.0%	8,248	24.9%	10,283	21.6%
Total equity	**22,709**	**100.0%**	**27,808**	**100.0%**	**33,150**	**100.0%**	**47,615**	**100.0%**
Total liabilities and equity	**393,839**		**488,117**		**669,957**		**1,004,315**	

Note:
(1) Mainly include fixed assets, deferred income tax assets and other assets.

For details, see "Description of Our Assets and Liabilities" and "Financial Information", respectively.

For details on our credit commitments and other off-balance sheet exposures, see "Financial Information—Credit Commitments and Other Off-balance Sheet Items".

Selected Financial Ratios

The following table sets forth selected financial ratios for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Profitability indicators					
Return on average total assets[1][7]	1.16%	1.11%	0.88%	1.11%	0.90%
Return on average equity[2][7]	18.55%	19.40%	16.72%	19.73%	18.66%
Net interest spread[3][7]	2.68%	2.41%	2.38%	2.38%	2.21%
Net interest margin[4][7]	2.91%	2.63%	2.62%	2.63%	2.41%
Net fee and commission income to operating income[5]	8.38%	17.18%	15.07%	15.01%	13.24%
Cost-to-income ratio[6]	31.01%	32.08%	28.32%	28.64%	24.82%

Notes:

(1) Calculated by dividing the net profit attributable to shareholders of our Bank for the period by the average balance of assets at the beginning and at the end of the period.

(2) Calculated by dividing the net profit attributable to shareholders of our Bank for the period by the average balance of shareholders' equity at the beginning and at the end of the period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by average balance of total interest-earning assets.

(5) Calculated by dividing net fee and commission income by operating income.

(6) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

(7) Calculated on an annualized basis.

	Regulatory requirement	As of December 31,			As of September 30,
		2012	2013	2014	2015
Capital adequacy indicators[1]					
Calculated based on Capital Administrative Measures					
Core Tier-one capital adequacy ratio[2]	≥ 5%	N/A[1]	9.17%	8.62%	9.46%
Tier-one capital adequacy ratio[3]	≥ 6%	N/A[1]	9.17%	8.62%	9.46%
Capital adequacy ratio[4]	≥ 8%	N/A[1]	11.53%	10.60%	11.11%
Total shareholders' equity to total assets	—	5.77%	5.70%	4.95%	4.74%
Asset quality indicators					
Non-performing loan ratio[5]	≤ 5%	0.46%	0.64%	0.88%	1.22%
Allowance to non-performing loans[6]	≥150%[7]	421.90%	329.28%	292.96%	227.61%
Allowance to total loans[8]	≥ 2.5%[7]	1.96%	2.10%	2.59%	2.78%

Notes:

(1) Indicators of capital adequacy ratio are calculated based on the *Capital Adequacy Measures* before January 1, 2013. As of December 31, 2012, our capital adequacy ratio was 12.51% and our core capital adequacy ratio was 9.84% calculated based on the *Capital Adequacy Measures*. The *Capital Adequacy Measures* had been replaced by *Capital Administrative Measures* from January 1, 2013 onwards and are no longer applicable.

(2) Core tier-one capital adequacy ratio = (core tier-one capital - core tier-one capital deductions)/risk-weighted assets.

(3) Tier-one capital adequacy ratio = (tier-one capital - tier-one capital deductions)/risk-weighted assets.

(4) Capital adequacy ratio = (total capital - capital deductions)/risk-weighted assets.

(5) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.

(6) Allowance to non-performing loans = the allowance for impairment losses on loans and advances to customers/total non-performing loans

(7) Indicates requirement to be met by the end of 2016.

(8) The allowance to total loans = the allowance for impairment losses on loans and advances to customers/total loans and advances to customers.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our non-performing loan ratio was 0.46%, 0.64%, 0.88% and 1.22%, respectively. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our allowance to non-performing loans ratio was 421.90%, 329.28%, 292.96% and 227.61%, respectively. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our allowance to total loans ratio was 1.96%, 2.10%, 2.59% and 2.78%, respectively. The increase of our non-performing loan ratio and the decline of our allowance to non-performing loans ratio during the Track Record Period were generally consistent with the industry trend in the PRC. For details regarding our asset quality indicators, see "Financial Information—Selected Financial Data".

INVESTMENTS IN OTHER FINANCIAL ASSETS

Apart from bond investments, our investments in trust plans managed by trust companies, asset management plans managed by securities and insurance organizations and wealth management products issued by other PRC commercial banks have increased significantly during the Track Record Period. Such increase was mainly because we have actively strengthened our cooperation with banks and non-banking financial institutions to expand our treasury business, since we believe such investments would provide reasonable returns with manageable risks. Such increase is also attributable to, among other things, (i) our implementation of the "full-asset class operation" strategy whereby we reduced our reliance on the traditional model of providing deposit, loan and remittance services, (ii) our adjustment on asset allocation focusing on profitability while maintaining effective risk management, and (iii) our active response to the challenges that the traditional credit business faces, such as interest rate liberalization and narrowing interest spread. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of such investments amounted to RMB10,435 million, RMB19,159 million, RMB156,849 million and RMB387,170 million, respectively, representing 2.6%, 3.9%, 23.4% and 38.6%, respectively, of our total assets as of the corresponding dates. For details of the risk profile of our investments in other financial assets, see "Business—Our Principal Businesses—Treasury Business—Investments in Bond and Other Financial Assets". Our investment strategy with respect to other financial assets going forward focuses on further enhancing our comprehensive cooperation with banks and non-banking financial institutions, optimizing the mix and structure of our inter-bank investments and continuing to increase both the scale and quality of our inter-bank investments under the guidance of our "full-asset class operation" strategy.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 3,000,000,000 H Shares are newly issued in the Global Offering, (ii) the Over-allotment Option for the Global Offering is not exercised, and (iii) 17,509,696,778 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK$3.92	**Based on an Offer Price of HK$4.12**
Market capitalization of our Shares	HK$68,638 million	HK$72,140 million
Unaudited pro forma adjusted net tangible assets per Share [(1)]	RMB3.26	RMB3.29
	(HK$3.89)	(HK$3.92)

Note:

(1) The amount of unaudited pro forma adjusted net tangible assets per share is calculated in accordance with Rule 4.29 of the Listing Rules after the adjustments referred to in "Appendix III—Unaudited Pro Forma Financial Information."

GLOBAL OFFERING

The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 165,000,000 H Shares (subject to adjustment) in Hong Kong; and

(b) the International Offering of initially 3,135,000,000 H Shares (subject to adjustment and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for H Shares under the Hong Kong Public Offering or apply for or indicate an interest for H Shares under the International Offering, but may not do both.

References in this prospectus to applications, application forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

RESTRICTIONS ON PLEDGE OF SHARE

The Articles of Association which will become effective upon the Listing, provide the following in respect of the pledge of Shares, according to the CBRC Notice on Strengthening the Management of Share Pledge in Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) issued by the CBRC:

(1) If any shares of the Bank are to be pledged for the benefits of a shareholder or others, such shareholder shall be in strict compliance with the laws and regulations, and the requirements of the regulatory authorities, and complete the filing procedures applicable to such pledges according to our relevant regulations on share pledge. Where the Board of Directors considers the pledge to be materially adverse to the stability of shareholding in our Bank, our corporate governance, as well as our control on risks and connected transactions, the filing shall not be accepted.

(2) A shareholder whose outstanding borrowing amount owed to the Bank exceeds the audited net equity interests held by such shareholder for the last year is prohibited from pledging his shares in the Bank. Where a shareholder pledges 50% or more of his shares in the Bank, the voting rights of such shareholder at the shareholders' general meetings shall be subject to restrictions, and such shareholder cannot exercise its voting rights in respect of the pledged shares, which will not be counted towards the total number of shares held by shareholders who attend such general meeting; and the directors proposed or nominated by such shareholders cannot exercise voting rights on the Board of Directors meeting nor be counted towards the numbers of attendees.

All our Shareholders, including H Shareholders, shall comply with the Articles of Association. For details of the CBRC Notice on Strengthening the Management of Share Pledge in Commercial Banks issued by the CBRC, see "Supervision and Regulation—Ownership and Restrictions of Shareholders—Restrictions on Shareholders".

According to the Articles of Association, which will become effective upon the Listing, and our relevant regulations on share pledge, all our Shareholders shall strictly comply with applicable laws and regulations as well as regulatory requirements, and give prior notice to our Board of their intention to pledge their Shares for the benefit of themselves or others. Our Office of the Board is responsible for the collection, organization and submission of such share pledge information. Shareholders pledging their Shares are required to file a share pledge registration form with our Office of the Board according to our Articles of Association and our relevant regulations on share pledge, providing the information for such pledge including the reasons for the proposed pledge and the amount of Shares to be pledged. Such notice shall be sent to one of the joint company secretaries of the Bank (currently being Mr. Liu Long and Mr. Wong Yat Tung) by one or more of the following means: by correspondence, to No. 288 Qingchun Road, Hangzhou, China (for shareholders of domestic shares) or 18/F, Tesbury Center, No. 28 Queen's Road East, Wanchai, Hong Kong (for shareholders of H shares); by email, to dshbgs@czbank.com; and by fax, to +86 571 8765 9826.

According to the same notice issued by the CBRC, where major shareholder pledges 50% or more of his shares in the Bank, the Bank is required to report to the relevant PRC banking supervision and regulatory authorities through the information reporting system for legal entities within 10 days from the occurrence of such event. For the avoidance of doubt, the major shareholder thereunder means any shareholders holding or controlling, directly, indirectly or jointly, more than five percent of our Shares or voting rights and having significant impacts on the Bank's decision making. The Bank shall strictly comply with the above-mentioned rules as well as other regulatory requirements and duly perform its reporting obligations.

DIVIDEND POLICY

We declared cash dividends of RMB2,001 million and RMB2,800 million for the financial years ended December 31, 2011 and 2012 in May 2012 and June 2013, respectively. We did not declare dividends for the financial years ended December 31, 2013 and 2014. Dividends paid in prior periods may not be indicative of future dividend payments. We currently do not have any dividend policy with respect to our expected dividend payout ratio and we cannot guarantee if or when dividends will be paid in the future.

Pursuant to the approval of our shareholders general meetings, our existing and new shareholders shall be entitled to the accumulated retained earnings prior to the Global Offering. At the same time, pursuant to the PRC Company Law and our Articles of Association, all shareholders have equal right to dividend distributions.

Our Board of Directors is responsible for submitting proposals (adopted by a two-thirds majority) in respect of dividend payments, if any, to the shareholders general meeting for approval. The determination of whether to pay dividends and the amount of such dividends is based on our results of operation, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors considers relevant.

Pursuant to our Articles of Association, we shall distribute dividends from our distributable profits in accordance with the PRC GAAP or the IFRS or the applicable accounting standards of the overseas jurisdictions where our Shares are listed, whichever is the lowest.

INFORMATION ON SUBSTANTIAL SHAREHOLDER

According to the definition of the Hong Kong Listing Rules, as of the Latest Practicable Date, Zhejiang Provincial Financial Holdings Co., Ltd. was our Bank's sole substantial shareholder. As of the Latest Practicable Date, Zhejiang Provincial Financial Holdings Co., Ltd. directly held 19.96% of the equity interest in our Bank. Immediately after the Global Offering and assuming that the Over-allotment Option is not exercised, Zhejiang Provincial Financial Holdings Co., Ltd. would directly hold approximately 15.35% of the then-total issued Shares of the Bank (or approximately 14.79% assuming that the Over-Allotment Option is fully exercised).

Zhejiang Provincial Financial Holdings Co., Ltd., one of our state-owned corporate shareholders and our single largest shareholder, is wholly owned by Zhejiang Province Financial Development Company. Zhejiang Province Financial Development Company is managed by Zhejiang Provincial Department of Finance, which is entrusted by the People's Government of Zhejiang Province. The business scope of Zhejiang Province Financial Development Company mainly comprises, but is not limited to, financial equity investment, management of governmental equity investment fund and asset management.

FUTURE PLANS AND USE OF PROCEEDS

We intend to use the net proceeds from the Global Offering attributable to us (after deduction of underwriting commissions and estimated expenses payable by us in relation to the Global Offering) to strengthen our capital base to support the sustainable and healthy development of our business. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders pursuant to the Global Offering. For details of the planned use of proceeds from the Global Offering, see "Future Plans and Use of Proceeds".

RECENT DEVELOPMENTS

On August 11, 2015, the PBOC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. On November 30, 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right ("SDR") and decided that effective as of October 1, 2016, the RMB is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with US Dollar, Euro, Japanese Yen and Pound Sterling. From August 10, 2015 to the Latest Practicable Date, the median price of RMB against the U.S. dollar had depreciated in aggregate by nearly 6.5%. The net foreign currency exposure of the Bank was limited, and the foreign currency denominated assets and liabilities represented less than 3% of our total assets and liabilities, respectively, as of September 30, 2015. For the impact from the changes of foreign exchange rates on our net profit, see "Financial Information—Quantitative and Qualitative Analysis of Market Risk—Foreign Exchange Risk" and "Appendix I—Accountant's Report—Note 39.2.4 Foreign Exchange Risk". Our Directors believe that the recent fluctuation of RMB exchange rates will not have a material and adverse effect on our operation results and financial position.

With effect from October 24, 2015, the PBOC lowered the benchmark interest rates on Renminbi-denominated loans and deposits, where the benchmark interest rate for loans with maturities of one year was lowered by 0.25 percentage point to 4.35%, and the benchmark interest rate for deposits with maturities of one year was lowered by 0.25 percentage point to 1.5%. With effect from the same date, the upper limit of floating range of interest rates for RMB-dominated deposits for commercial banks and rural cooperative commercial institutions was removed. On October 24, 2015, the PBOC lowered the RMB deposit reserve requirement ratio for financial institutions by 0.5 percentage points. In order to encourage financial support for agriculture, rural areas and farmers or small and micro enterprises, for financial institutions that satisfy relevant requirements, the RMB deposit reserve ratio was further lowered by 0.5 percentage points. On March 1, 2016, the PBOC further lowered the RMB deposit reserve requirement ratio for financial institutions by 0.5 percentage points. See "Supervision and Regulation—Pricing for Products and Services—Interest Rates for Loans and Deposits". These changes may lead to (i) increased competition in the financial services market; (ii) changes to our pricing strategies for our loan and deposit businesses; and (iii) narrowing of our operating margin and net interest margin. See "Risk Factors—Risks Relating to the PRC Banking Industry—Interest rate liberalization and other market risks arising from the changes in the regulatory environment of PRC banking industry may materially and adversely affect our results of operations". We will continue to monitor and manage the interest rate risk arising from the recent and future adjustments of PBOC benchmark interest rates on loans and deposits, through adjusting and controlling the loan re-pricing period and the duration of bond investment business. See "Risk Management—Market Risk Management—Market Risk Management for our Bank's Accounts—Interest Rate Risk Management". Our Directors believe, as of the Latest Practicable Date, the changes of benchmark interest rates and interest rates liberalization, as discussed above, will not have a material adverse effect on our operation results and financial position.

Our Directors have confirmed that, since September 30, 2015 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position, except as otherwise disclosed in this prospectus.

In December 2015 and February 2016, with the approvals from the PBOC and the CBRC, we issued financial bonds in the aggregate principal amount of RMB5,000 million and RMB10,000 million in the inter-bank bond market, respectively. The RMB5,000 million financial bonds have a term of five years and bear interest on an annual basis with a fixed annual interest rate of 3.88%. The RMB10,000 million financial bonds have a term of five years and bear interest on an annual basis with a fixed annual interest rate of 3.60%. Both bonds cannot be redeemed before maturity.

The unaudited financial data as of and for the year ended December 31, 2015 have been agreed with the reporting accountant following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants. Our unaudited preliminary financial information for the year ended December 31, 2015 is set out in Appendix IV to this prospectus and is subject to change. Our net interest income for the year ended December 31, 2015 was RMB20,586 million, representing an increase of 41.6% compared to RMB14,535 million for the year ended December 31, 2014. Our net profit for the year ended December 31, 2015 was RMB7,051 million, representing an increase of 38.4% compared to RMB5,096 million for the year ended December 31, 2014.

In addition, our total loans and advances to customers (before allowance for impairment losses) and net financial investments as of December 31, 2015 were RMB345,423 million and RMB510,053 million, respectively, and were higher than the corresponding financial data as of December 31, 2014.

As of December 31, 2015, our total assets were RMB1,031,650 million, representing an increase of 54.0% from RMB669,957 million as of December 31, 2014.

You should read the discussion above in conjunction with our unaudited preliminary financial information for the year ended December 31, 2015 and the accompanying notes, as well as "Appendix IV—Unaudited Preliminary Financial Information of the Bank for the Year ended December 31, 2015—Management's Discussion and Analysis of Financial Condition and Operation Results".

LISTING EXPENSES

We have incurred listing expenses in connection with the Listing, which include professional fees and underwriting commissions and fees. Listing expenses to be borne by us are estimated to be approximately RMB248 million. Listing expenses of approximately RMB6 million were incurred on or before September 30, 2015. Listing expenses of approximately RMB243 million are expected to be incurred after September 30, 2015, of which RMB11 million is expected to be charged to our income statement and RMB231 million is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending December 31, 2016.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below:

"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** Application Form(s) or, where the context so requires, any of them, relating to the Hong Kong Public Offering
"Alipay"	Alipay (China) Network Technology Company Limited (支付寶（中國）網絡技術有限公司), a limited liability company incorporated in the PRC on December 8, 2004 in accordance with PRC laws, an independent third party of our Bank
"Articles of Association"	the articles of association adopted by our Bank at our annual general meeting held on June 25, 2015 and approved by the CBRC on November 2, 2015, which will become effective upon the Listing, as amended, supplemented or otherwise modified from time to time
"ATM"	automatic teller machine
"Bank", "Company" or "we"	China Zheshang Bank Co., Ltd. (浙商銀行股份有限公司), a sino-foreign joint venture incorporated in the PRC on April 16, 1993 in accordance with PRC laws, and reorganized to a joint-stock company with approval of the CBRC on June 30, 2004 and, if the context requires, includes its predecessors, branches and sub-branches
"Banking Disclosure Rules"	the Banking (Disclosure) Rules, Chapter 155M of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Banking Ordinance"	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Baidu"	Beijing Baidu Netcom Science Technology Co., Ltd. (北京百度網訊科技有限公司), a limited liability company incorporated in the PRC on June 5, 2001 in accordance with PRC laws, an independent third party of our Bank
"Basel I"	the 1988 Basel Capital Accord
"Basel II"	the Revised Basel Capital Framework promulgated in June 2004
"Basel III"	the Basel Capital Accord promulgated in December 2010
"Basel Accords"	Basel I, Basel II and Basel III, collectively

"Basel Committee"	the Basel Committee on Banking Supervision
"Board" or "Board of Directors"	the Board of Directors of our Bank
"Board of Supervisors"	the Board of Supervisors of our Bank
"Bohai Rim Area"	the area surrounding Beijing and Tianjin, including certain areas in Hebei, Liaoning and Shandong which surround the Bohai Sea
"CAGR(s)"	compound annual growth rate(s)
"Capital Adequacy Measures"	the Measures on the Administration of Capital Adequacy Ratios of Commercial Banks (商業銀行資本充足率管理辦法) promulgated by the CBRC on February 23, 2004, effective as of March 1, 2004 and amended on July 3, 2007, which was replaced by the Capital Administrative Measures on January 1, 2013
"Capital Administrative Measures"	the Administrative Measures for the Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) promulgated by the CBRC on June 7, 2012 and effective on January 1, 2013
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"CCXI"	China Chengxin International Rating Co., Ltd. (中誠信國際信用評級有限責任公司), a limited liability company incorporated in the PRC on August 24, 1999 in accordance with PRC laws, an independent third party of our Bank

"Central and Western Area"	the area as defined under the Plan on Promoting the Rise of Central and Western China (促進中西部地區崛起規則) promulgated in September 2009 by the State Council and the Notice of the State Council on the Implementation of Several Western Development Policy Measures (國務院關於實施西部大開發若干政策措施的通知), consisting of Anhui, Henan, Hunan, Jiangxi, Shanxi, Shaanxi, Gansu, Ningxia Autonomous Region, Qinghai, Hubei, Xinjiang Autonomous Region, Sichuan, Chongqing, Yunnan, Guizhou, Tibet Autonomous Region, Guangxi Autonomous Region and Inner Mongolia Autonomous Region
"central SOE(s)"	central-state-owned enterprise(s)
"CIETAC"	China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會)
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"city commercial banks"	banks that are approved by the CBRC to be incorporated under the PRC Company Law and the PRC Commercial Banking Law with branches set up at the municipal level or above
"Classification Standards of Small and Medium Enterprises"	the Classification Standards of Small and Medium Enterprises (中小企業劃型標準規定) jointly promulgated by the PRC Ministry of Industry and Information Technology, the NBS, the NDRC and the MOF on June 18, 2011
"commercial banks"	all the banking institutions in the PRC other than policy banks, including the Large Commercial Banks, nationwide joint-stock commercial banks, city commercial banks and urban credit cooperatives, rural cooperative financial institutions, foreign banks and other banking institutions
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and our Bank has no controlling shareholder

"Core Indicators (Provisional)"	the Core Indicators for Risk Supervision of Commercial Banks (Provisional) (商業銀行風險監管核心指標(試行)), as promulgated by the CBRC on December 31, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"credit assets"	corporate loans and advances and personal loans and advances
"CRS"	Cash Recycling System
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Bank
"Domestic Shares"	ordinary shares issued by our Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
"forfeiting"	a financial transaction involving the purchase of bills from exporters without recourse
"full-asset class operation"	our operation strategy and model which means that in addition to continuing to develop our traditional credit business, we strengthen our cooperation with banks, non-banking financial institutions and other quasi-financial institutions, achieve a coordinated and efficient management of our financial markets business (including businesses in credit markets, money markets, capital markets and foreign exchange markets), and promote the diversified development of our credit assets, inter-bank assets and investment assets. Through integrated operations and business synergies, we provide our customers with comprehensive financial solutions and continue to strengthen our market and customer experience-oriented product and business model innovation. Our "full-asset class operation" strategy also enables us to optimize our liabilities on the basis of our operation capabilities and strategically and tactically match our assets and liabilities in terms of sources, maturities and costs, which in turn helps us to reshape our balance sheet and enhance our market competitiveness.
"GDP"	gross domestic product
"GFA"	gross floor area

"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Application Form(s)"	application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Hong Kong Stock Exchange
"HKD" or "HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKIAC"	Hong Kong International Arbitration Centre
"HKMA"	Hong Kong Monetary Authority
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong listed city commercial banks"	city commercial banks which were incorporated in the PRC and whose shares are listed on Hong Kong Stock Exchange as of the date of this prospectus, including Bank of Chongqing Co., Ltd., Huishang Bank Corporation Limited, Harbin Bank Co., Ltd., Shengjing Bank Co., Ltd., Bank of Qingdao Co., Ltd., Bank of Jinzhou Co., Ltd. and Bank of Zhengzhou Co., Ltd.
"Hong Kong listed joint-stock commercial banks"	nationwide joint-stock commercial banks which were incorporated in the PRC and whose shares are listed on Hong Kong Stock Exchange as of the date of this prospectus, including China CITIC Bank Corporation Limited, China Everbright Bank Co., Ltd., China Merchants Bank Co., Ltd. and China Minsheng Bank Corp., Ltd.
"Hong Kong Offer Shares"	the H Shares offered pursuant to the Hong Kong Public Offering, subject to adjustment as described in the section

	entitled "Structure of the Global Offering" of this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section entitled "Underwriting—Hong Kong Underwriters" of this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated March 15, 2016 relating to the Hong Kong Public Offering entered into by, among others, us, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters
"IFRS"	International Financial Reporting Standards and International Accounting Standards ("IAS"), which include the related standards, amendments and interpretations issued by the International Accounting Standards Board ("IASB")
"independent third party(ies)"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of our Bank within the meaning of the Listing Rules
"International Offer Shares"	the H Shares offered pursuant to the International Offering together, where relevant, with any H Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section entitled "Structure of the Global Offering" of this prospectus
"International Offering"	the conditional placement by the International Underwriters of the International Offer Shares, as further described in the section entitled "Structure of the Global Offering" of this prospectus
"International Underwriters"	the group of underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering, which is expected to be entered into among our Bank, the Selling Shareholders, the Joint Global Coordinators and the International Underwriters, as further described in the section entitled "Structure of the Global Offering—The International Offering" of this prospectus

"inter-bank assets"	deposits and placements with banks and other financial institutions, notes purchased under resale agreements, credit assets purchased under resale agreements, other financial assets purchased under resale agreements and debt instruments classified as receivables
"investment assets"	securities purchased under resale agreements, financial assets at fair value through profit or loss, derivative financial assets, available-for-sale financial assets and held-to-maturity investments
"Joint Bookrunners"	CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., ABCI Capital Limited, CMB International Capital Limited, Haitong International Securities Company Limited, Huarong International Securities Limited, BOCI Asia Limited and CCB International Capital Limited
"Joint Global Coordinators"	CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., ABCI Capital Limited and CMB International Capital Limited
"Joint Lead Managers"	CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., ABCI Securities Company Limited, CMB International Capital Limited, Haitong International Securities Company Limited, Huarong International Securities Limited, BOCI Asia Limited and CCB International Capital Limited
"Joint Sponsors"	CITIC CLSA Capital Markets Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C. and ABCI Capital Limited
"land use rights certificates"	land use rights certificates in the PRC (中華人民共和國國有土地使用證)
"Large Commercial Banks"	Agricultural Bank of China Limited, Bank of China Limited, Bank of Communications Co., Ltd., China Construction Bank Corporation, and Industrial and Commercial Bank of China Limited, and their respective predecessors, collectively
"Latest Practicable Date"	March 7, 2016, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus

"Listing"	the listing of our H Shares on the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be March 30, 2016, on which dealings in the H Shares first commence on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"listed nationwide joint-stock commercial banks"	nationwide joint-stock banks which were incorporated in the PRC and whose shares are listed on any stock exchange in the PRC or overseas as of the date of this prospectus, including China CITIC Bank Corporation Limited, China Everbright Bank Co., Ltd., Hua Xia Bank Co., Limited, Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.), China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Industrial Bank Co., Ltd. and China Minsheng Banking Corp., Ltd.
"Macau"	the Macau Special Administrative Region of the PRC
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas* (到境外上市公司章程必備條款), promulgated by the State Council Securities Commission and the State Restructuring Commission on August 27, 1994 and effective on the same date, as amended and supplemented or otherwise modified from time to time
"Measures For the Leverage Ratio"	the Measures For the Administration of the Leverage Ratio of Commercial Banks (Revision) (商業銀行杠杆率管理辦法(修訂)), as amended and promulgated by the CBRC on January 30, 2015 and effective on April 1, 2015
"medium enterprise(s)"	the enterprises classified as medium enterprises under the Classification Standards of Small and Medium Enterprises
"micro enterprise(s)"	the enterprises classified as micro enterprises under the Classification Standards of Small and Medium Enterprises
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"NAFMII"	The National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會)

"NAO"	National Audit Office of the PRC (中華人民共和國審計署)
"national standard"	the enterprises classification standard under the Classification Standards of Small and Medium Enterprises
"nationwide joint-stock commercial banks"	China CITIC Bank Corporation Limited, China Everbright Bank Co., Ltd., Hua Xia Bank Co., Limited, China Guangfa Bank Co., Ltd., Ping An Bank Co., Ltd. (formerly known as Shenzhen Development Bank Co., Ltd.), China Merchants Bank Co., Ltd., Shanghai Pudong Development Bank Co., Ltd., Industrial Bank Co., Ltd., China Minsheng Bank Corp., Ltd., Evergrowing Bank Co., Ltd., China Bohai Bank Co., Ltd. and our Bank
"NBS"	National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"non-performing loan ratio"	the percentage ratio of dividing non-performing loans by total loans
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NSSF"	National Council for Social Security Fund of the PRC (全國社會保障基金理事會)
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of the brokerage fee, SFC transaction levy and Hong Kong Stock Exchange trading fee) at which the Offer Shares are to be subscribed or sold, to be determined in the manner further described in the section entitled "Structure of the Global Offering" of this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant, with any additional H Shares to be issued and sold pursuant to the Over-allotment Option
"Over-allotment Option"	the option to be granted by us and the Selling Shareholders to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters under the International Underwriting Agreement, pursuant to which the Joint Global Coordinators may require the Bank to issue and allot and the Selling Shareholders to sell 495,000,000 additional H Shares representing in aggregate up to 15% of the initial

	number of Offer Shares, at the Offer Price, to cover over-allocations (if any) in the International Offering
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pearl River Delta Area"	the region in Guangdong Province consisting nine cities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Zhaoqing, Jiangmen, Zhongshan and Dongguan
"PRC" or "China"	the People's Republic of China, but for the purpose of this prospectus only and except where the context requires, references in this prospectus to the "PRC" or "China" do not include Hong Kong, Macau and Taiwan
"PRC Banking Supervision and Regulatory Law"	the Banking Supervision and Regulatory Law of the PRC (中華人民共和國銀行業監督管理法), as enacted by the 6th meeting of the 10th Standing Committee of the NPC on December 27, 2003, effective on February 1, 2004, as amended, supplemented or otherwise modified from time to time
"PRC Commercial Banking Law"	the Commercial Banking Law of the PRC* (中華人民共和國商業銀行法), as enacted by the 13th meeting of the 8th Standing Committee of the NPC on May 10, 1995, effective on July 1, 1995, as amended, supplemented or otherwise modified from time to time
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the 10th Standing Committee of the NPC on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (企業會計準則) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC PBOC Law"	the Law of the People's Bank of China of the PRC (中華人民共和國中國人民銀行法), as enacted by the 3rd meeting of the 8th Standing Committee of the NPC on March 18, 1995, effective on the same date, as amended, supplemented or otherwise modified from time to time
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as enacted by the 6th meeting of the 9th Standing Committee

	of the NPC on December 29, 1998 and became effective on July 1, 1999, as amended, supplemented or otherwise modified from time to time
"Price Determination Date"	the date, expected to be on or around March 21, 2016, but no later than March 29, 2016, on which the Offer Price is fixed for the purposes of the Global Offering
"QIBs"	qualified institutional buyers as defined in Rule 144A
"qualified domestic institutional investors" or "QDII"	qualified domestic institutional investors in the PRC, which are licensed by the CSRC to invest in foreign securities markets
"Regulation S"	Regulation S under the U.S. Securities Act
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and the China Securities Depository and Clearing Co., Ltd. for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
"SHIBOR"	Shanghai Interbank Offered Rate, a daily reference rate published by the National Interbank Funding Center
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	the 300,000,000 H Shares and, where relevant, any additional H Shares which may be sold by the Selling Shareholders pursuant to the exercise of the Over-allotment Option. See "Share Capital—Transfer and Sale of State-owned Shares". The Selling Shareholders will convert an equal number of Domestic Shares held by them to be offered for sale as the Sale Shares, subject to any adjustments as provided in "Structure of the Global Offering". References to "Sale Shares" include, where the context requires, the Domestic Shares from which the Sale Shares are converted

"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"Securities and Futures (Price Stabilizing) Rules"	the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Securities Times"	a daily paper designated by the CSRC to release news on Chinese listed companies
"Selling Shareholders"	the state-owned shareholders, collectively, who are required to reduce their shareholding pursuant to the relevant PRC regulations relating to disposal of state-owned shares, as further described in "Information about this Prospectus and the Global Offering—Selling Shareholders" of this prospectus
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shares"	ordinary shares in the share capital of our Bank with a nominal value of RMB1.00 each
"small enterprise(s)"	the enterprises classified as small enterprises under the Classification Standards of Small and Medium Enterprises
"SME(s)"	the enterprises classified as micro enterprises, small enterprises and medium enterprises under the Classification Standards of Small and Medium Enterprises
"SOE(s)"	state-owned enterprise(s)
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint-Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), which were promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited

"State Council"	State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)"	supervisor(s) of our Bank
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015
"Trademark Review and Adjudication Board"	the Trademark Review and Adjudication Board under the SAIC
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States," "US" or "U.S."	the United States of America, its territories and possessions, any state of the United States, and the District of Columbia
"US$," "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"White Form eIPO"	the application for Hong Kong Offer Shares to be lodged in the applicant's own name by submitting applications online through the designated website at **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yangtze River Delta Area"	the region comprising Shanghai, Jiangsu, Zhejiang and Anhui
"Zhejiang Merchants"	Quality enterprises with head office located in Zhejiang, whose size, business, financial conditions and management meet the requirements of our Bank

In this prospectus, references to:

- our "outlets" include our branches, sub-branches and other establishments;
- "medium enterprises," "small enterprises," "micro enterprises" and "SME(s)" refer to the enterprises classified respectively under the Classification Standards of Small and Medium Enterprises (中小企業劃型標準規定) jointly promulgated by the PRC Ministry of Industry

and Information Technology, the NBS, the NDRC and the MOF on June 18, 2011; "large enterprises" refer to the enterprises other than those classified as SMEs; "small and micro enterprises/businesses" refer to small enterprises and micro enterprises collectively;

- the term "small and micro enterprises under the standards of our Bank" means enterprise legal persons and unincorporated organizations and individual business owners which are engaged in the production activities and comply with the provisions governing small and micro enterprises in the Classification Standards of Small and Medium Enterprises, whose single-client credit exposure in our Bank is lower than RMB10 million (inclusive) and annual operating income is no greater than RMB100 million (no greater than RMB300 million for wholesale, transport, warehousing, leasing, and commercial services enterprises); and whose maximum credit exposure balance in the bank is no greater than RMB20 million and for whom there are no greater than four banks providing loans;
- the term "micro enterprises under the standards of our Bank" means enterprise legal persons and unincorporated organizations in compliance with the definition of small and micro enterprises by our Bank and their single-client credit exposure in our Bank is lower than RMB5 million (inclusive) and total assets are less than RMB10 million (inclusive), or their single-client credit exposure in our Bank is lower than RMB5 million (inclusive) and annual operating income is lower than RMB30 million (inclusive) (lower than RMB100 million (inclusive) for wholesale and retail enterprises);
- the term "small enterprises under the standards of our Bank" means enterprise legal persons and unincorporated organizations in compliance with the definition of small and micro enterprises by our Bank, saved "micro enterprises under the standards of our Bank";
- a "business day" refers to a day that is not Saturday, Sunday or a public holiday in Hong Kong; and
- the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, in this prospectus, unless otherwise indicated, we use the terms "loans and advances to customers", "loans" and "loans to customers" interchangeably.

In this prospectus, "non-performing loans" and "impaired loans" refer to the loans recognized as "identified impaired loans and advances" and "non-performing loans" in Note 18(d) and Note 39 to our financial information set out in "Appendix I—Accountant's Report" to this prospectus. Under the five-category loan classification system we adopted pursuant to applicable PRC guidelines, our non-performing loans are classified as substandard, doubtful or loss (as the case may be). Please see "Description of Our Assets and Liabilities—Assets—Loan Classification".

In this prospectus, we define the geographical regions of China to which we refer for the purpose of describing our branch network and presenting certain results of operations and financial conditions as follows:

- "Eastern China" refers to the following areas serviced by the tier-one branches of the Bank: Head Office, Hangzhou, Ningbo, Wenzhou, Yiwu, Shaoxing, Zhoushan, Shanghai, Nanjing and Suzhou;

- "Northern China" refers to the following areas serviced by the tier-one branches of the Bank: Beijing, Tianjin, Jinan and Shenyang;
- "Southern China" refers to the following areas serviced by the tier-one branches of the Bank: Shenzhen and Guangzhou; and
- "Western China" refers to the following areas serviced by the tier-one branches of the Bank: Chengdu, Xi'an, Lanzhou and Chongqing.

In this prospectus, the term "weighted average of the agreed return" means, as of a certain date, the weighted average of the agreed interest rates of such type of loans or the weighted average of the agreed returns on such type of investments (with the outstanding amount of each loan or investment as the applicable weighting).

In this prospectus, the term "revenue per outlet" and "per-capita revenue" means, certain annual revenue dividing by average number of outlets and employees at the beginning and at the end of the year separately.

In this prospectus, unless otherwise indicated, the discussions on loans are based on our total loans and advances to customers without deducting the related allowance for impairment losses. Our loans and advances to customers reported on our statement of financial position are amounts net of the allowance for impairment losses.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding. The growth rates with respect to our business and financial data presented in this are calculated based on amounts in thousands of Renminbi.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our measures and initiatives to implement these strategies;
- our dividend policy;
- any capital expenditure plans;
- our business, operations and prospects, including development plans for our existing and new businesses, products and services;
- trends in financial performance, profitability, interest rates, exchange rates and asset quality; and
- the future development and environment of competition for the banking industry in Zhejiang, Yangtze River Delta Area, and the PRC.

The words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "seek," "should," "will," "would" and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of various factors, including, without limitation, the matters set out under the section entitled "Risk Factors" of this prospectus and the following:

- any changes in laws, rules, regulations or government policies;
- general economic, market and business conditions in Zhejiang, Yangtze River Delta Area, or the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices that may affect our operations and financial results;
- competition;
- changes in our strategies;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

Subject to the requirements of the Listing Rules or applicable laws, rules and regulations, we do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Actual results may differ materially from the information contained in the forward-looking statements as a result of these and other risks, uncertainties and assumptions and the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should also pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory system which may differ from those prevailing in other countries. For more information concerning the PRC legal and regulatory system and certain related matters discussed below, see the sections entitled "Supervision and Regulation", "Appendix V–Summary of Principal Legal and Regulatory Provisions" and "Appendix VI–Summary of Articles of Association".

RISKS RELATING TO OUR LOAN PORTFOLIO

If we are unable to effectively maintain the quality of our loan portfolio, our business, financial condition and results of operations may be materially and adversely affected.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our loans and advances were RMB182,306 million, RMB217,137 million, RMB259,023 million and RMB339,138 million, respectively. As of the same dates, our non-performing loan ratio was 0.46%, 0.64%, 0.88% and 1.22%, respectively. Our financial condition and results of operations may be affected by our ability to maintain and/or improve the quality of our loan portfolio. Deterioration in the quality of our loan portfolio may occur due to the general slowdown of the PRC economy. We cannot assure you that we will be able to maintain or lower our current non-performing loan ratio in the future.

Moreover, actual or perceived deterioration of the creditworthiness of borrowers, a slowdown of the economic growth of the PRC, reduced profitability or cash flows of corporate borrowers or the unemployment of individual borrowers, may cause our asset quality to deteriorate and may lead to significant increases in our allowance for impairment losses on loans. If our non-performing loans or our allowance for impairment losses on loans increase in the future, our asset quality, financial condition and results of operations may be materially and adversely affected.

In addition, our sustainability depends largely on our ability to effectively manage credit risks and maintain and improve the quality of our loan portfolio. We cannot assure you that our credit risk management policies, procedures and systems will be effective, and cannot guarantee that they have no defects. If our credit risk management policies, procedures and systems fail to achieve the desired results, the amount of our non-performing loans may increase, and our loan portfolio may be adversely affected.

We may need to increase our allowance for impairment losses on loans to cover the actual losses on our loan portfolio in the future, which may materially and adversely affect our asset quality, financial condition and results of operations.

As of December 31, 2012, 2013, 2014 and September 30, 2015, our allowances for impairment losses on loans were RMB3,565 million, RMB4,566 million, RMB6,710 million and RMB9,412 million, respectively. As of the same dates, our allowances to total loans were 1.96%, 2.10%, 2.59% and 2.78%, respectively. Our allowance to non-performing loans, which is the balance of our allowance for impairment losses as a percentage of the balance of our non-performing loans, was 421.90%, 329.28%, 292.96% and 227.61%, respectively. The increase in our allowance for impairment losses on loans was mainly due to the growth of our business and our prudent provision policies. The decrease in our allowance to non-performing loans was mainly due to an increase in the amount of our non-performing loans.

We make allowance for impairment losses on loans based on the classifications of different types of loan risks and the policies regarding allowance for impairment losses on loans promulgated by the regulators. The amount of our allowance for impairment losses on loans is determined in accordance with various factors that affect the quality of our loan portfolio, including, among other things, the operating and financial condition, repayment capability and willingness to repay of the borrowers, the realizable value of any collateral, the ability of guarantors to fulfill their obligations, the economic conditions of the PRC, macroeconomic and industrial policies, interest rates, exchange rates, legal and accounting principles and the regulatory environment. Many of these factors are beyond our control, and our assessment of these factors may differ from their actual results. Changes to any of these factors may reduce our profit. As a result, our asset quality, financial condition and results of operations may be materially and adversely affected.

Moreover, the sufficiency of our allowance for impairment losses also depends on the effectiveness of our risk evaluation system for potential losses and our ability to accurately collect, process and analyze the relevant statistical data. If our evaluation results are inaccurate, our evaluation system is not fully applied or our ability to collect relevant statistical data is defective, our allowance for impairment losses may be insufficient to cover any actual loss, which may reduce our profit and materially and adversely affect our asset quality, financial condition and results of operations.

The collateral, pledges or other securities securing our loans may not be sufficient or fully realized.

A significant portion of our loans are secured by collateral, pledges or guarantees. As of September 30, 2015, 43.7%, 11.3% and 24.6% of our loans to customers were secured by collateral, pledges and guarantees, respectively. The collateral and pledges securing our loans to customers primarily comprise real estate, commercial assets and financial instruments, such as stocks and bonds. The value of the collateral and pledges securing our loans is generally higher than the loan amount. However, the value of the collateral and pledges may significantly fluctuate and decline due to various factors beyond our control, including factors affecting the macro economy of the PRC. For example, a slowdown in the PRC economy or changes in its macroeconomic policies may lead to a downturn in the real estate market, which may result in a decline in the value of the real estate securing our loans to customers to a level below the outstanding principal and interest of such loans. In addition, volatility in the PRC stock markets may also result in declines in the value of the shares securing our loans to customers to a level below the outstanding principal and interest of such loans.

We cannot assure you that our assessment of the values of any collateral or pledges will be accurate or up-to-date. If our collateral and pledges are proven to be insufficient to cover the related loans, we may require borrowers to provide additional collateral and pledges. However, there is no assurance that we will be able to obtain such additional collateral and pledges. Declines in the value of our collateral and pledges, or our inability to obtain additional collateral and pledges, may result in additional allowances for impairment losses on loans, which may materially and adversely affect our asset quality, financial condition and results of operations.

The procedures for liquidating or otherwise realizing the value of collateral and pledges may be protracted in the PRC and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for us to take control of or liquidate the collateral and pledges that secure non-performing loans. For example, we may not evict a borrower or his or her dependents from his or her mortgaged residence during the six-month grace period after the court approves settlement of a loan against such property. In addition, under certain circumstances, our security interest in the collateral may be subordinated to the rights of certain other parties. Any of the foregoing could adversely affect our ability to realize the value of the collateral that secures our loans in a timely manner, or at all.

In addition, a portion of our loans to customers during the Track Record Period were secured by guarantees provided by the borrowers' affiliates or other third parties, and these guarantees are not secured by collateral, pledges or other security interests. Deterioration of the guarantors' financial conditions may have a material adverse effect on the credit quality of such loans. As a result, we are exposed to the risk that we may not be able to recover all or part of such loans. If we are unable to dispose of the assets of the borrowers and guarantors in a timely manner, or if the guarantors fail to fully perform their obligations on a timely basis, our business, financial condition and results of operations may be materially and adversely affected.

If we are unable to fully realize the value of the collateral and pledges securing our loans to customers in a timely manner, our asset quality, financial condition and results of operations may be materially and adversely affected.

As of December 31, 2012, 2013, 2014 and September 30, 2015, unsecured loans accounted for 7.3%, 7.3%, 7.0% and 7.3% of our total loans to customers, respectively. We grant unsecured loans primarily based on our credit evaluations of borrowers. We cannot assure you that our credit evaluations of such borrowers are accurate now or will be accurate in the future, or that these borrowers will make repayments in full when due. As we may only bring general claims against unsecured loan borrowers and have no priority with respect to their property, we may be unable to collect such loans, which may in turn materially and adversely affect our business, financial condition and results of operations.

We have a relatively high concentration of loans in certain industries and to certain borrowers. Any significant or consistent downturn in any of these industries or any deterioration in the financial condition or results of operations of our customers and borrowers in these industries could materially and adversely affect our business, financial condition, results of operations and prospects.

As of December 31, 2012, 2013, 2014 and September 30, 2015, our corporate loans accounted for 80.8%, 80.2%, 79.9% and 82.4% of our total loans and advances to customers, respectively. As of September 30, 2015, the top four industries that we granted corporate loans to were (i) the manufacturing industry, (ii) the wholesale and retail industry, (iii) the real estate industry, and (iv) the leasing and commercial services industry. As of the same dates, our loans to such industries represented 17.7%, 14.1% 13.7% and 12.1%, respectively, of our total outstanding corporate loans, and non-performing loans for these industries accounted for 62.4%, 23.4%, 0.7% and 1.1%, respectively, of our total non-performing corporate loans. A significant or protracted downturn in any of the industries in which our loans are concentrated may adversely affect our loans to borrowers in those industries, which may in turn increase the number of our non-performing loans, and as a result, may materially and adversely affect our business, asset quality, financial condition, results of operations and prospects.

As of September 30, 2015, the balance of our loans to our top ten largest single borrowers was RMB12,497 million, representing 3.7% of our total loans and 22.0% of our net regulatory capital. As of the same date, the amount of credit we extended to our top ten largest group borrowers was RMB 23,082 million, representing 40.7% of our net regulatory capital. If the quality of our loans to our top ten largest single borrowers or our top ten largest group borrowers deteriorates, our asset quality, financial condition, results of operations and prospects may be materially and adversely affected.

Loans to small and micro enterprises expose us to certain risks.

As of December 31, 2012, 2013, 2014 and September 30, 2015, according to our Bank's standards, our loans to small and micro enterprises (including individual business owners) represented 26.0%, 26.2%, 25.9% and 21.7%, respectively, of our outstanding balances of loans to customers. As of the same dates, the non-performing loan ratio of these loans was 0.24%, 0.55%, 0.97% and 1.11%, respectively. Our small and micro enterprises business is one of the businesses we focus on. Given their size, small and micro enterprises may lack the necessary financial or management resources to withstand the adverse effects of significant economic fluctuations or changes in the regulatory environment. As a result, they are more vulnerable to macroeconomic recessions. In addition, small and micro enterprises typically have less financial transparency when compared with larger enterprises. If we are unable to accurately assess the credit risk of our small and micro enterprise customers, the number of our non-performing loans may increase significantly as a result of economic downturns or unfavorable changes in the regulatory environment which affect our small and micro enterprise customers. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

We have adopted specific measures to control the non-performing loan ratio for our loans to small and micro enterprise customers. See "Risk Management—Credit Risk Management—Credit Risk Management for Small and Micro Enterprise Loans." However, we cannot assure you that any measures taken by us will be effective or sufficient to control the non-performing loan ratio for our loans to small and micro enterprise customers. In addition, we cannot assure you that the non-performing loan ratio for our loans to small and micro enterprise customers will not increase in the future. If such ratio increases, it could have a material adverse effect on our business, financial condition, results of operations and prospects.

Any significant or protracted downturn in, or change in national policies affecting the real estate market in the PRC may have a material adverse effect on our business, asset quality, financial condition, results of operations and prospects.

We are exposed to risks associated with the PRC real estate market, especially from corporate loans to the real estate industry, personal residential mortgage loans and other loans secured by real estate. As of December 31, 2012, 2013, 2014 and September 30, 2015, our corporate loans to the real estate industry accounted for 13.7%, 14.6%, 17.0% and 13.7%, respectively, of the balance of our total outstanding corporate loans, and the non-performing loan ratio of these loans was 0.00%, 0.00%, 0.00% and 0.07%, respectively. As of December 31, 2012, 2013, 2014 and September 30, 2015, our personal residential mortgage loans accounted for 1.9%, 1.4%, 1.3% and 3.1%, respectively, of our total outstanding personal loans, and the non-performing loan ratio of these loans was 0.17%, 0.15%, 0.25% and 0.11%, respectively. The PRC government has imposed, and may continue to impose, macroeconomic policies to regulate the real estate market. See "Supervision and Regulation—Regulation on Major Business of Commercial Banks". These measures may slow down the growth of our loans to, and negatively affect the financial condition, liquidity and repayment capabilities of, our customers in the real estate industry. These measures may also reduce the demand for residential mortgage loans in the PRC. In addition, any significant or continued decline in property prices in the PRC may have a material adverse effect on the asset quality of our corporate loans to customers in the real estate industry and personal residential mortgage loans. If the real estate market in the PRC experiences a significant downturn, the value of the collateral that secures our loans may decrease, which could in turn result in a reduction in the amount we could recover on any defaulting loans secured by real estate. We have taken measures to control our risks relating to the real estate industry. See "Risk Management—Credit Risk Management—Credit Risk Management for Loans to Large and Medium Enterprises—Credit Risk Management for Real Estate Loans" and "Risk Management—Credit Risk Management—Credit Risk Management for Personal Loans". We cannot assure you that any measures taken by us will be effective or sufficient to protect us against the effects of any downturn in the PRC real estate market. As a result, any significant or protracted recession in, or change in national policies affecting the real estate market in the PRC may have a material adverse effect on our business, prospects, asset quality, financial condition and results of operations.

Deterioration in the debt repayment capabilities of or adverse changes in national policies affecting local government financing vehicles could materially and adversely affect our asset quality, financial condition and results of operations.

Like other commercial banks in the PRC, we provide loans to local government financing vehicles. According to the categorization standards of the CBRC, local government financing vehicles include three types of legal entities (government entities, public institutions and business enterprises) which are funded and established by, and whose repayment obligations are jointly and severally borne by, local governments. We provide loans to local government financing vehicles which belong to government entities at the prefecture level and county level, and such loans are secured primarily by collateral and guarantees. Our loans to local government financing vehicles are mainly used to invest in the water conservancy, environmental and public facilities and leasing and commercial services industries. As of December 31, 2012, 2013, 2014 and September 30, 2015, the total outstanding balance of our loans to local government financing vehicles amounted to RMB12,878 million, RMB13,016 million, RMB15,859 million and RMB22,919 million, respectively, accounting for 7.1%, 6.0%, 6.1% and 6.8%, respectively, of our total loans. As of the same dates, none of our loans to local government financing vehicles were considered to be non-performing.

Due to the restrictions imposed by PRC laws and regulations, local governments cannot provide guarantees for local government financing vehicles. The ability of local government financing vehicles to repay loans depends largely on whether they are able to obtain sufficient financial support from the government. It is possible that such financial support may be denied due to liquidity limitations, budget priorities or other factors.

Due to the relatively high risks related to loans to local government financing vehicles, since 2010, the State Council, the CBRC and the PBOC, along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory measures that instruct PRC banks and other financial institutions to strengthen their risk management measures regarding loans to local government financing vehicles. See "Supervision and Regulation—Regulation on Major Business of Commercial Banks—Loans". We have adopted measures to control our risk exposure with respect to local government financing vehicles. See "Risk Management—Credit Risk Management—Credit Risk Management for Loans to Large and Medium Enterprises—Credit Risk Management for Loans to Local Government Financing Vehicles." However, we cannot assure you that any measures we take will be effective or sufficient to protect us against any default by local government financing vehicles. In addition, it may be more difficult for us to take recourse against such local government financing vehicles as compared to other borrowers. Macroeconomic recessions, adverse changes in government policies, a deterioration in the financial condition of local governments or other factors beyond our control may adversely affect the repayment capabilities of local government financing vehicles, and as a result, may significantly increase our allowance for impairment losses on loans and materially and adversely affect our asset quality, financial condition and results of operations.

Our loan classification and impairment loss provision policies may be different in certain aspects from those applicable to banks in other countries or regions.

We classify our loans through a five-category classification system in accordance with the guidelines of the CBRC. The five categories are "pass", "special mention", "substandard", "doubtful" and "loss". We assess our loans for impairment losses and recognize any related provisions using the principles related to impairment under IFRS. A loan which is considered significant (on a stand-alone basis) with unique credit characteristics is assessed individually for impairment losses. We conduct impairment tests individually or as part of a group of assets on single financial assets that are not consider significant. The financial assets that were not considered impaired after being tested individually (including significant (on a stand-alone basis) and insignificant financial assets), shall be further tested in the group of financial assets with similar credit risk characteristics. See "Description of Our Assets and Liabilities—Assets—Allowance for Impairment Losses on Loans and Advances to Customers". Our five-category classification policies and provision policies may be different in certain aspects from banks in other countries or regions. As a result, if the classification policies of banks in other countries or regions were applied to us, the risk level that would be reflected would be different from our risk profiles as they currently appear.

We have a relatively high proportion of short-term loans, which may adversely affect the reliability and stability of our interest income or increase our loan default rate.

The proportion of our short-term loans to our total loans is relatively high. As of December 31, 2012, 2013, 2014 and September 30, 2015, our short-term loans as a percentage of our total corporate loans was 64.1%, 62.2%, 58.2% and 62.7%, respectively. During the Track Record Period, short-term loans constituted a large portion of our total loans and were a stable source of interest income for us. However, we cannot assure you that we will continue to have this stable source of interest income in the future, in particular, when there is greater competition or when sources of funds with lower interest rates are available to customers. Our relatively high proportion of short-term loans in our loan portfolio may have an adverse effect on the reliability and stability of our interest income.

In addition, a high concentration of short-term loans means that if the PRC economy or the particular industries in which our customers operate experience recessions, the repayment of such loans may be adversely affected, and our loan default rate may increase. If our interest income becomes unstable or if we experience a rise in our loan default rate as a result of the foregoing, our financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO OUR BUSINESS

We are subject to risks of having our business concentrated in the Yangtze River Delta Area and the uncertainties relating to government policies promoting the development of the Yangtze River Delta Area. Any unfavorable change to the economic development or social conditions of the Yangtze River Delta Area may materially and adversely affect our business, financial condition, results of operations and prospects.

Although we are a nationwide joint-stock commercial bank, our deposits, loans business and operations are mainly concentrated in the Yangtze River Delta Area, and in particular in Zhejiang. As of September 30, 2015, 47.0% of our total loans and 32.9% of our total deposits were attributable to customers in Zhejiang. As of September 30, 2015, we had 80 branches and sub-branches located in the Yangtze River Delta Area, which accounted for 62.5% of our total number of branches and sub-branches. As of the same date, 58 of such branches and sub-branches were located in Zhejiang, which accounted for 45.3% of our total number of branches and sub-branches. If the economic growth in the Yangtze River Delta Area slows down, or if any material adverse changes in the economic environment arise or any severe catastrophic events occur in the Yangtze River Delta Area, our business, financial condition and results of operations could be materially and adversely affected.

We currently benefit from favorable policies adopted by the central and local governments to boost the economic development of the Yangtze River Delta Area. However, we cannot guarantee that the government will maintain such favorable policies or that we will continue to benefit from them. Any discontinuation of or unfavorable changes to such policies may materially and adversely affect our business, financial condition and results of operations.

We cannot guarantee that we will be able to maintain our historical growth rates.

We maintained a rapid growth rate of our financial indicators during the Track Record Period. From 2012 to 2014, our operating income increased from RMB10,466 million to RMB17,397 million, representing a CAGR of 28.9%, and our net profit increased from RMB4,026 million to RMB5,096 million, representing a CAGR of 12.5%. From December 31, 2012 to December 31, 2014, our total assets increased from RMB393,839 million to RMB669,957 million, representing a CAGR of 30.4%. For the nine months ended September 30, 2015, our operating income was RMB17,541 million, representing an increase of 40.4% as compared to the nine months ended September 30, 2014, our net profit was RMB5,637 million, representing an increase of 26.8% as compared to the nine months ended September 30, 2014, and our total assets was RMB1,004,315 million, representing a growth of 49.9% from December 31, 2014. Our performance growth is affected by the macro economy of the PRC, the relevant government policies and our product innovation capability, as well as a number of other factors. We cannot assure you that such economic condition, policies or historical factors will continue to exist or continue to contribute to our growth. As a result, we cannot assure you that we will be able to maintain the rapid growth we have historically experienced.

If we cannot successfully maintain the growth of our loan portfolio, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our revenue is primarily derived from interest income. Our total loans to customers increased from RMB182,306 million as of December 31, 2012 to RMB259,023 million as of December 31, 2014, representing a CAGR of 19.2%. As of September 30, 2015, our total loans to customers further increased to RMB339,138 million. The growth of our loan portfolio may be influenced by the economic environment and other macroeconomic conditions in the PRC, such as GDP growth, inflation rates, interest rate changes and the changes to laws, regulations and rules associated with the banking and financial industries. As a result, we cannot assure you that we will have the ability to maintain the growth of our loan portfolio in the future.

In addition, we must comply with the regulations limiting the growth of our loan portfolio and ensure that we maintain the minimum required capital adequacy ratio. The above factors may slow down the growth of our loan portfolio and have a material and adverse effect on our business, financial condition, results of operations and prospects.

We mainly rely on the customer deposits to provide funds for our business and manage our liquidity. If we fail to maintain the growth of our customer deposits or if there is a significant decrease in customer deposits, our liquidity, financial condition and results of operations may be materially and adversely affected.

Customer deposits are our primary source of funding. As of December 31, 2012, 2013 and 2014, our total deposits were RMB266,888 million, RMB319,795 million and RMB363,280 million, respectively, representing a CAGR of 16.7% from 2012 to 2014. As of September 30, 2015, our total customer deposits were RMB500,345 million. The growth in customer deposits may be affected by various factors, including macroeconomic and political conditions, the popularity of investment alternatives, such as wealth management products, and the saving preferences of our retail banking customers, which are beyond our control. As a result, we cannot assure you that we will be able to maintain the growth of our customer deposits at a pace that is sufficient to support our business growth. In addition, we may be subject to liquidity risks arising from the increasing competition with banks, asset management companies and other financial institutions for deposits from customers.

In addition, as of September 30, 2015, demand deposits and deposits with remaining maturity dates within three months accounted for 50.0% of our outstanding customer deposits. As of the same date, 81.8% of the loans and advances granted by us (net of allowance for impairment loss) had remaining maturities of more than three months, resulting in liquidity risk caused by a difference between our assets and liabilities. However the lower interest rates as compared to the inflation rate and the rapid development of alternative investment products in the PRC have resulted in financial disintermediation in recent years, which has further resulted in customers withdrawing their deposits and turning them into direct investments. With the continuous development of the PRC capital markets and increasing diversity in investment products, we cannot assure you that short-term deposits will still be a stable financing source for us in the future.

If we fail to maintain the growth rate of our customer deposits or if a substantial portion of our depositors withdraw their deposits or do not roll over their time deposits upon maturity, our capital reserve, liquidity, financial condition and results of operations could be materially and adversely affected. In such case, although we may obtain financing from the inter-bank bond market, inter-bank lending and borrowing market and notes market to meet our liquidity needs, we cannot assure you that we will be able to obtain additional funding at commercially reasonable costs and on commercially reasonable terms as and when necessary.

We cannot assure you that we will be successful in expanding our business and our proportion of non-interest income as planned, and the expansion of our products and services as well as our business as a whole may also expose us to new risks.

In line with our growth strategy, we have devoted, and will continue to devote, significant resources to strategically expand our business, such as our small and micro enterprises business, retail banking business, investment banking business and treasury business. See "Business—Our Principal Businesses". Further expansion of our business activities is subject to a number of risks and challenges, including:

- Insufficient experience or expertise with respect to certain new products and services may prevent us from having a competitive advantage in these areas;
- Failure of our new products and services to gain the recognition of our customers or meet our expected profitability;
- Homogenous products or services offered by other commercial banks may erode our competitive advantage;
- Insufficient financial, operational, management and other resources to support our expanded range of products and services;
- Future policies or regulations of the PRC government may limit our ability to provide new products or services;
- Inability to obtain regulatory approvals for our new products or services; and
- Failure to improve our risk management, internal control capabilities and information technology systems to support a broader range of products and services.

Any failure to expand or develop our business scope, products and services to achieve their intended results could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, if we fail to enter new business areas in time to meet the increasing demands of customers for new products and services, our market share may decrease and we may lose some of our existing customers.

Our main source of revenue is interest income, and we may not be able to increase our fee and commission income at the expected rate. We have expanded, and will continue to expand, the products and services we offer to our customers. We rely to a greater extent on interest income than the Large Commercial Banks and other nationwide joint-stock commercial banks in the PRC. Net interest income has always been the largest component of our operating income, representing 90.7%, 82.4%, 83.6% and 85.6% of our operating income for the years ended December 31, 2012, 2013, 2014 and for the nine months ended September 30, 2015, respectively. The expansion of the range of products and services we offer has exposed us, and will continue to expose us, to new and potentially more challenging market and operational risks. The success of our new products and services will largely be dependent on the following factors:

- Our experience and expertise managing new products and services;
- Our ability to recruit more qualified staff;
- Our ability to provide satisfactory customer service, such as providing sufficient products and service information and handling customer complaints;
- Acceptance of our new products by our customers;

- Our ability to establish an effective management team and enhance our risk management and information technology systems to support a broader range of products and services;
- Our ability to identify and effectively manage the potential risks associated with our products and services; and
- The actions of our competitors.

If we are unable to expand our range of products and services and offer more fee- and commission-based products and other non-interest income products and services, we may continue to rely heavily on interest income and may face pressure from greater competition among banks and lower net interest margins due to interest rate liberalization in the future. See "Risks Relating to the PRC Banking Industry—Interest rate liberalization and other market risks arising from the changes in the regulatory environment in the PRC banking industry may materially and adversely affect our results of operations." As a result, our business, financial condition and results of operations could be materially and adversely affected.

Furthermore, if we are unable to obtain the relevant regulatory approvals or are unable to comply with relevant banking regulations when selling and marketing our new financial products and services, we may be subject to legal proceedings or regulatory sanctions.

We cannot assure you that we will continue the geographical expansion of our business, and the expansion of the geographical coverage of our products and services, as well as our business as a whole, may expose us to new risks.

We will comply with the requirements of the PRC regulatory authorities and obtain the relevant regulatory approvals to further develop our business outside of the regions in which we currently operate. We may not be able to obtain such approvals or may otherwise fail to successfully establish branches in other areas outside of Zhejiang. As of September 30, 2015, we had set up 128 branches or sub-branches in various cities in the PRC, including Hangzhou, Beijing, Shanghai, Guangzhou, Shenzhen, Chongqing, Chengdu, Tianjin, Nanjing and Suzhou, which allowed us to accumulate experience with respect to cross-regional operations. However, as compared to the Large Commercial Banks and other nationwide joint-stock commercial banks, we may not have advantages in terms of asset size, number of branches and talent. Moreover, in regions where we intend to expand our business, a commercial banking system may have already been established. As a result, we may face intense competition in many respects, including for customers, capital, services, technology and talent.

In addition, in our cross-regional operations, we face a number of other risks and challenges, including:

- Our products and services may not meet the needs of local customers or may not be accepted by them, and as a result, we may not be able to achieve our goals;
- We may not be able to rapidly adapt to the local culture and operational practices;
- We may not be able to recruit employees who are familiar with the local economy, culture and customers, or recruit employees on reasonable commercial terms; and
- Our financial, operational, management and other resources may not be sufficient to support the expansion of our geographical coverage.

If our operations cannot penetrate into new regions as anticipated due to the risks mentioned above, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we are not effective in designing or implementing our risk management policies and procedures or fail to use information technology systems to support the improvement of our risk management and internal controls, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our operations face a variety of risks, including credit risk, market risk, liquidity risk and operational risk. Our risk management system is essential for maintaining our business operations and financial condition. In recent years, we have formulated risk management measures for our principal business segments. See "Risk Management—Risk Management Measures". However, we cannot assure you that our risk management policies and procedures will be adequate to control all credit risk, market risk, liquidity risk, operational risk and other risks, or protect us from the impact of such risks. We may not be able to identify these risks or these risks may turn out to be greater than what we expected or those of historical levels. In addition, in order to manage our risks effectively, we will continually update our risk management policies and procedures and may need additional time to implement them and assess their effectiveness. Our risk management also relies on the effective execution of our policies and procedures by our employees. We cannot assure you that all of our employees will comply with our risk management policies and procedures. Any violation of the above policies and procedures by our employees or any defect during the course of implementation may adversely affect the implementation of our risk management policies and procedures.

Our risk management capabilities are limited to the information, tools and technologies available to us. In recent years, we have introduced and optimized some of our risk management tools and systems, including our credit management system, credit detection system, customer risk statistics system and data submission system, in order to improve the effectiveness of our risk management. These systems are designed to enhance our ability to use quantitative measures to manage our risks. However, our ability to operate such systems and to monitor and analyze their effectiveness is still continuously being tested. Moreover, we are still in the process of further developing information systems for certain risks, and we cannot assure you that these systems will achieve their expected results.

We cannot assure you that our various cost control policies and measures will be continuously and effectively implemented in the future or achieve their expected results.

For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our cost-to-income ratio was 31.01%, 32.08%, 28.32% and 24.82%, respectively. Regarding cost management, we emphasize "cost saving and hardwork" (厲行節約、勤儉辦行) and also focus on our cost efficiency in order to reasonably allocate our financial resources. During the Track Record Period, we had a lower cost-to-income ratio than the average level for listed nationwide joint-stock commercial banks. However, we cannot assure you that our cost control measures will be continually and effectively implemented in the future. In addition, we may have to adjust our relevant cost control strategies and measures in accordance with the changing economic environment and our business development. If these strategies and measures fail to achieve their expected results, our operating costs may rise and our financial condition and results of operations may be materially and adversely affected.

We may face difficulties in meeting regulatory requirements relating to our capital adequacy and other regulatory requirements in the future.

Since January 1, 2013, we have been required to maintain a minimum Core Tier-one capital adequacy ratio of 5%, a minimum Tier-one capital adequacy ratio of 6% and a minimum capital adequacy ratio of 8% pursuant to the minimum capital requirement contained in the "Capital Administrative Measures" promulgated by the CBRC. In addition, pursuant to the "Notice Regarding the Arrangement of Transition Period of Implementation of the Administrative Measures (Provisional) for the Capital of Commercial Banks (《關於實施<商業銀行資本管理辦法（試行）>過渡期安排相關事項的通知》) promulgated on November 30, 2012 by the CBRC, we are required to gradually increase the above regulatory ratios to achieve a minimum Core Tier-one capital adequacy ratio of 7.5%, a minimum Tier-one capital adequacy ratio of 8.5% and a minimum capital adequacy ratio of 10.5% by December 31, 2018. Pursuant to the Measures for the Leverage Ratio promulgated by the CBRC, our leverage ratio is required to be at least 4% before the end of a specific transition period in the end of 2016. As of September 30, 2015, our Core Tier-one capital adequacy ratio, Tier-one capital adequacy ratio, capital adequacy ratio and leverage ratio were 9.46%, 9.46%, 11.11%, and 4.04%, respectively. Certain factors could adversely affect our ability to comply with applicable capital adequacy requirements in the future, including (i) a decrease in our ability to raise additional capital as a result of the deterioration in our asset quality, (ii) an increase in our risk-weighted assets as a result of the expansion of our business, (iii) an increase in the risk weightings for certain asset classes proposed and implemented by the CBRC from time to time or other changes that may be required by the CBRC regarding the calculation of capital adequacy ratios of PRC commercial banks, (iv) an increase in minimum capital adequacy requirements enforced by banking regulators, including the increase resulting from Basel III, (v) a decline in the value of our financial investments, and (vi) a decrease in our net profit and retained earnings.

We cannot assure you that we will be able to continuously meet the capital adequacy requirements that the PRC regulators may impose from time to time. The CBRC is expected to adopt further regulations to tighten the requirements relating to Core Tier-one capital, which could have a material adverse effect on our Core Tier-one capital adequacy ratio and our ability to acquire debt or other financing.

Furthermore, to meet the capital adequacy requirement imposed by regulators, we may have to reduce the growth rate or scale of our loans and other assets, such as by selling or disposing of certain assets on terms which are unfavorable to us or inconsistent with our business plan, or by raising additional capital. If we fail to meet the applicable capital adequacy requirements, the CBRC may take regulatory and corrective actions, including limiting the growth of our loans and other assets, restricting our ability to issue Tier-two Capital Bonds, disapproving of our applications to offer new services or geographical expansion, and limiting declarations or distributions of dividends. These actions could severely damage our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, our ability to satisfy the existing capital regulatory requirements may be limited by numerous factors in addition to our financial condition, including (i) our future financial condition, results of operations and liquidity position, (ii) any government regulatory examinations and approvals, (iii) our credit rating, (iv) general market conditions for capital raising activities, and in particular, for commercial banks and other financial institutions and (v) economic, political and other conditions in and outside of the PRC. We cannot assure you that we will be able to continue to meet the capital adequacy requirements that the PRC regulators may impose from time to time.

Moreover, we are required to comply with other regulatory requirements of the CBRC, such as the liquidity risk regulatory indexes imposed by the Measures for the Liquidity Risk Management of Commercial Banks (Provisional) (the CBRC Decree No.9 for 2015) (《商業銀行流動性風險管理辦法(試行)》(中國銀監會令2015年第9號)), which cover liquidity ratio and liquidity coverage ratio, and other liquidity risk monitoring reference indexes, for example, the core liability ratio. Moreover, we are required to comply with any regulatory requirements which will be enforced in the future, such as the loan loss provision ratio we will be required to maintain pursuant to the Administrative Measures for the Loan Loss Reserves of Commercial Banks (《商業銀行貸款損失準備管理辦法》). If we fail to comply with the relevant regulatory requirements, the regulator may reprimand us, issue risk warnings or take corresponding regulatory measures according to the specific non-compliance incident and the information gathered through its routine supervision of us, which may adversely affect our business, financial condition, results of operations and prospects.

We are exposed to liquidity risk arising out of the mismatches between the maturities of our assets and liabilities, which may result in us being unable to meet our obligations in a timely manner and could materially and adversely affect our business, financial condition, results of operations and/or prospects.

During the Track Record Period, the liquidity gap relating to non-derivative financial assets and liabilities of the Bank classified as on demand has increased. Such liquidity gap was recorded negative at RMB202,394 million as of September 30, 2015 compared to a gap of negative RMB105,082 million as of December 31, 2012. See "Appendix I—Accountant's Report—Note 39.3 Liquidity Risk". Such increase in liquidity gap is mainly attributable to our adjustment of business strategy after assessment of our overall liquidity risk level, which resulted in an increasing proportion of our on-demand deposits (including customer deposits and deposits from other financial institutions). From December 31, 2012 to September 30, 2015, our on-demand deposits (including customer deposits and deposits from other financial institutions) had increased from RMB122,647 million to RMB213,209 million. The deployment of funds from our on-demand deposits is subject to our overall arrangement on funds deployment and is not limited to investing in on-demand financial assets. During the Track Record Period, funds from our on-demand deposits were mainly deployed to our loans and advances, investments in trust plans, asset management plans and wealth management products, which have terms of maturity. Given such financial assets have terms of maturity, they cannot be counted towards on-demand financial assets to narrow the liquidity gap. For our risk management on liquidity risk, see "Risk Management—Liquidity Risk Management".

We believe these adjustment to our strategy has helped optimize our liability structure and lower our interest costs. However, unexpected withdrawals of deposits may result in liquidity needs that the Bank may not be able to cover without incurring additional expenses, if at all. The liquidity gap may affect the ability of us to carry out our strategy effectively. If short and long-term funding is not available at reasonable costs, or if maturity mismatches between our assets and liabilities worsen significantly, our business, financial condition, results of operations and/or prospects could be materially and adversely affected.

We may not be able to detect and prevent all fraud or other misconduct committed by our employees or third parties.

Fraud or other misconduct committed by our employees or third parties may be difficult to detect or prevent and could subject us to financial losses and regulatory sanctions as well as seriously damage our reputation. Possible misconduct by our employees includes, but is not limited to, improper extension of credit, unauthorized business transactions, conducting business operations in breach of our internal policies and procedures, inappropriate accounting treatment, theft, bribery or embezzlement of customer funds and fraud. Possible misconduct by third parties against us includes, but is not limited to fraud, theft and robbery. There were incidents of misconduct by our employees and by third parties against us in the past and we cannot assure you that such incidents will not occur or will be detected and prevented in advance in the future. See "Business—Legal and Regulatory—Incidents Relating to Our Former Employees". We cannot assure you that all of our employees will fully comply with our risk management policies, measurements and procedures for preventing fraud and other misconduct or that we will always be able to identify and prevent all fraud and other misconduct by our employees and third parties. Future fraud or other misconduct by our employees and third parties could damage our reputation and have a material adverse effect on our business, financial condition, results of operations and prospects.

Competition from the internet finance industry may impact our deposit and loan businesses and could materially and adversely affect our business, financial condition and prospects.

With the development of the internet finance industry, funds and internet wealth management products have developed quickly. This trend indicates that a large amount of savings deposits may flow out of banks and then return to the banks in the form like inter-bank deposits. As a result, banks may be subjected to increased funding costs and narrowed interest margins, and as a result, reduced profitability. With the further development of the internet, many non-banking financial institutions have begun to engage in sales agency services through internet platforms, which has significantly affected the agency fee income of banks. The competition from the internet finance industry may materially and adversely affect our business, financial condition, results of operations and prospects.

Our business depends on the proper functioning and continued improvement of our information technology systems.

We depend on our information technology systems to accurately process our transactions on a timely basis, and to store and process our business and operating data. The proper functioning of our core banking system, credit management system, financial management system and other IT systems, as well as the communication networks between our branches and sub-branches and our main data processing centers, is critical to our business and competitiveness. However, we cannot guarantee that system failures caused by, among other things, natural disasters, power or communication failures, key hardware or system deficiencies and computer viruses would not cause major disruption to our business.

In addition, the secure storage and transmission of confidential information is crucial to our operations. The proper operation of our IT systems relies on the accuracy and reliability of the data which is entered into the systems, as well as the installation of auxiliary systems, and errors may occur when entering data or installing such systems. Any failure or delay that occurs when recording or processing our transaction data may expose us to significant financial risks as well as risks of claims for losses and regulatory punishment. Moreover, our network and system may be exposed to unauthorized access and other security-related issues. We cannot assure you that existing security arrangements will be able to prevent unforeseeable security vulnerability (including intrusion by unauthorized users and viruses) or other interference (such as interference caused by hardware or software defects and operator error or misconduct). These issues may jeopardize the confidential, proprietary and other information processed, stored and transmitted through our computer system and network or otherwise cause interference to, or failure of, our operations or the operations of our customers or other third parties, which in turn could result in financial losses, regulatory punishment, customer complaints, or even the loss of customers, and could do harm to our reputation and operating performance.

Furthermore, our competitiveness will to some extent depend on our ability to upgrade and optimize our information technology systems in a timely and cost-effective manner. In addition, we may not be able to obtain information from our existing IT system promptly or sufficiently to manage risks and prepare for and respond to market changes and other trends in our current operating environment. Failure to improve or upgrade our information technology systems effectively or on a timely basis could materially and adversely affect our competitiveness, results of operations and financial condition.

We are subject to credit risk with respect to certain credit commitments and other off-balance sheet items.

The credit commitments which are generated during our daily business but are not wholly reflected on our balance sheet according to applicable accounting principles include bank acceptance bills, loan commitments, letters of guarantee, letters of credit and unused credit card limits. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our credit commitments and other off-balance sheet exposures were RMB74,528 million, RMB84,315 million, RMB145,889 million and RMB244,850 million, respectively. See "Financial Information—Financial Position—Credit Commitments and Other Off-Balance Sheet Items". We are subject to credit risks related to credit commitments and other off-balance sheet items because we must seek the repayment from the relevant customers once we have fulfilled such commitments. If we cannot collect the relevant amounts from our customers in time, our financial condition and results of operations may be materially and adversely affected.

Our investments in trust plans managed by trust companies, asset management plans managed by securities and insurance organizations and wealth management products issued by other PRC commercial banks imply some inherent risks which could materially and adversely affect our profitability and liquidity.

During the Track Record Period, we made investments in trust plans managed by trust companies, asset management plans managed by securities and insurance organizations and wealth management products issued by other PRC commercial banks. For a detailed description of these assets, see "Business—Our Principal Businesses—Treasury Business—Investments in Bond and Other Financial Assets".

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of our investments in trust plans, asset management plans and wealth management products amounted to RMB10,435 million, RMB19,159 million, RMB156,849 million and RMB387,170 million, respectively, representing 2.6%, 3.9%, 23.4% and 38.6%, respectively, of our total assets at the corresponding dates. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, 1.3%, 2.6%, 13.5% and 38.8%, respectively, of our total interest income was attributable to our investments in these assets.

The repayment of principal of and returns on such assets is typically guaranteed by financial institutions in the PRC or secured by collateral provided by ultimate borrowers, including properties, land use rights and certificates of deposit. For our risk management for these assets, see "Risk Management—Credit Risk Management—Credit Risk Management for Treasury Business". We may not be able to receive repayment of principal of and returns on these assets as a result of material and adverse changes to the financial conditions of the trust companies, securities companies or the ultimate borrowers. We may not be able to rely on the guarantees, or liquidate or realize the value of the collateral, provided by the ultimate borrowers, as such guarantees and collateral are provided to the trust companies and securities companies instead of us.

Investments in trust plans, asset management plans and wealth management products carry credit risks. The trust plans, asset management plans and wealth management products invested by us have not been rated by any independent rating agencies. We make investment decisions based on our own assessment of the issuers of these asset products and the ultimate borrowers for such products to achieve the intended return rates. If the intended return rates cannot be achieved or the principal of our investments cannot be repaid, we primarily rely on the issuers to mitigate our losses and exercise our rights under the related contracts and guarantees to recover losses. We do not have direct recourse to the ultimate borrowers or their guarantors in the underlying transactions.

In addition, investments in trust plans, asset management plans and wealth management products also carry inherent liquidity risks as such assets have limited liquidity. These assets are not traded on the PRC interbank market or stock exchanges, and there has not yet been an active trading market for these credit assets. As a result, we may not be able to realize the value of such assets to meet our short-term liquidity needs and our liquidity contingency plans may not be sufficient and effective in providing the liquidity support in the event where the disposal of our investments in trust plans, asset management plans and wealth management products is not feasible.

Although PRC regulatory authorities do not currently restrict commercial banks from investing in trust plans, asset management plans and wealth management products, there can be no assurance that future changes in regulatory policies will not restrict commercial banks in China, including us, from investing in these assets. In addition, adverse regulatory developments relating to these types of investments could cause declines in the value of the investment portfolio held by us and, as a result, may adversely affect our business, financial condition and results of operation.

We are subject to risks in relation to wealth management products. Any adverse developments or changes to the policies regulating such products may materially and adversely affect our business, financial condition, results of operations and prospects.

In recent years, the growth of deposits in the PRC banking industry has begun to slow down and competition for deposits among commercial banks has become increasingly intense. In response to such competition, PRC commercial banks, including us, have been expanding the scale and types of wealth management products offered to customers. As of September 30, 2015, the balance of our wealth management business was RMB168,403 million. See "Business—Our Principal Business—Treasury Business—Treasury Business Conducted on Behalf of Customers—Management of Proceeds Received from the Issuance of Wealth Management Products".

We have invested the proceeds from our wealth management products mainly in money market instruments, bonds, non-standard debt assets and other equity products. As of September 30, 2015, 99.4% of our unredeemed wealth management products were non-principal-protected, and we are not liable for any loss the investors may suffer from investing in such products. However, if the investors suffer losses, our reputation may be seriously damaged and we may also suffer loss of business, customer deposits or net income. In particular, we cannot assure you that the mechanisms we put in place to monitor the use and flow of proceeds from our wealth management products will be adequate and effective to prevent the relevant counterparties to use such proceeds in contravention of the relevant contractual arrangements and/or regulatory requirements, which may damage our reputation or result in losses in our investments of the proceeds from our wealth management products. Furthermore, we may be required to bear the losses associated with such non-principal protected products if investors file lawsuits against us and the courts rules that we have been misleading when selling such products.

In addition, the terms of the wealth management products issued by us may be shorter than those of the assets in which we invest, which may expose us to liquidity risk and force us to offer new wealth management products, dispose of the assets we invested in or take other actions to fill the gap in our funding. The PRC regulatory authorities have enacted regulatory policies to limit the scale of commercial banks' investments in non-standard debt-based assets with funds raised from wealth management products. If the PRC regulatory authorities further restrict the wealth management business of commercial banks, our business may be adversely affected.

We have made substantial investments in debt instruments classified as receivables, and any adverse development relating to these types of investments may materially and adversely affect our profitability.

In recent years, we have made substantial investments in debt instruments classified as receivables, which mainly include bond investments, trust plans and asset management plans and wealth management products sponsored by banks. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of our debt instruments classified as receivables amounted to RMB10,435 million, RMB19,559 million, RMB189,704 million and RMB390,853 million, respectively, representing 2.6%, 4.0%, 28.3% and 38.9%, respectively, of our total assets as of those dates. As of December 31, 2015, such balance amounted to RMB431,894 million, representing 41.9% of our total assets as of that date. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the interest income from such investments amounted to RMB248 million, RMB610 million, RMB5,812 million and RMB13,997 million, respectively, representing 1.3%, 2.7%, 18.0% and 40.7%, respectively, of our total interest income for those periods. For the year ended December 31, 2015, the interest income from such investments amounted to RMB19,967 million, representing 42.1% of our total interest income of 2015.

Investments in debt instruments classified as receivables, which typically have predetermined rates of return and fixed terms, carry certain credit risks. We rely on the issuers and ultimate borrowers for such products to make investment decisions to achieve the agreed-upon rates of return. If the agreed-upon rates of return cannot be achieved or the principal of our investments cannot be maintained, we rely on the issuers to reduce our losses and exercise our rights under the related contracts and guarantees to recover losses from the issuers and any guaranteeing entities.

PRC regulatory authorities have not prohibited commercial banks from investing in debt instruments classified as receivables. However, there can be no assurance that future changes in regulatory policies will not restrict us or our counterparties with respect to investments in debt instruments classified as receivables. Any adverse regulatory developments relating to these types of investments could cause a significant decline in the value of our investments and, as a result, may materially and adversely affect our profitability.

Issues relating to land use rights and building ownership may disrupt our ability to occupy and use certain properties we own and/or lease from third parties.

As of the Latest Practicable Date, we held 106 properties in the PRC with a GFA of 66,397.6 square meters. For 21 properties with an aggregate GFA of 4,675.8 square meters, we have not yet obtained the land use rights certificates. For two properties with an aggregate GFA of 1,681.0 square meters, we have not yet obtained the building ownership certificates and the land use right certificates. The properties for which we have not obtained building ownership certificates and/or land use right certificates are mainly used for our business operations and as offices. See "Business—Properties". We cannot assure you that we will be able to obtain all relevant building ownership certificates and land use right certificates for the above properties. According to our PRC legal advisor, Zhejiang T&C Law Firm, we may not transfer, mortgage or dispose of such properties until we obtain the relevant land use rights certificates and/or building ownership certificates. To acquire such certificates, we will be required to bear all relevant costs ourselves. Our failure to obtain the relevant certificates for such properties may expose us to title disputes.

In addition, as of the Latest Practicable Date, we leased 192 properties in the PRC, among which 37 were leased from lessors who were not able to provide valid ownership certificates. The GFA of such properties is approximately 60,847.9 square meters, representing approximately 19.7% of the total GFA of our leased properties as of the same date. If the lessors fail to possess ownership of such properties or fail to obtain relevant authorization documents confirming ownership of such properties, our ability to continue leasing such properties may be affected. See "Business—Properties". In addition, we cannot assure you that we will be able to renew our leasing agreements on acceptable terms, or at all, when they expire.

If ownership of the properties we have leased is disputed and/or the validity of such leases is challenged by third parties, or if we are unable to renew the leasing agreements when they expire, we may be forced to relocate the affected outlets, which could result in additional costs.

We may not be able to detect money-laundering or other illegal or improper activities fully or in a timely manner, or completely avoid the risks of violating economic-sanction laws, which could expose us to additional liability and harm our business and reputation.

We are required to comply with PRC laws and regulations concerning anti-money laundering and anti-terrorism which require us to strictly enforce "know-your-customer" policies and incorporate criteria for identifying large and suspicious transactions into our anti-money-laundering monitoring and reporting system. We are also required to timely report large and suspicious transactions to the PRC Anti-Money-Laundering Monitoring and Analyzing Center. See "Business—Legal and Regulatory". Although we have adopted policies and procedures that are intended to detect and prevent the use of our banking networks for money-laundering activities and by terrorists and terrorist related organizations and individuals, those policies and procedures may not completely eliminate the risk that third parties may use our Bank to engage in money laundering and other illegal or improper activities. For details regarding our risk management with respect to anti-money laundering, see "Risk Management—Compliance and Legal Risk Management—Anti-Money Laundering Management". If we fail to fully comply with applicable PRC laws and regulations, or if our customers use our Bank for money laundering or other illegal or improper purposes, we may be subject to fines and other penalties. In addition, if third parties conduct money laundering and other illegal or improper activities through our Bank, our business and reputation may be materially and adversely affected.

We may be subject to sanctions or other penalties if we are involved in transactions that violate relevant economic sanctions regulations.

The United States administers a range of economic sanctions, including broad embargoes against certain countries, such as Iran, Sudan and Syria (collectively, "Sanctioned Countries"), as well as sanctions against terrorists, international narcotics traffickers and individuals engaged in activities related to the proliferation of weapons of mass destruction. The U.S. has also imposed more targeted restrictive measures against certain listed persons and entities ("Sanctioned Persons"). Other governments and international or regional organizations, such as the European Union and the United Kingdom, also impose similar economic sanctions on some of these countries, governments, persons and businesses. In addition, non-U.S. persons can potentially be penalized under U.S. secondary sanctions for engaging in some activities relating to Iran, its government or certain designated persons.

The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") is the principal government agency charged with administering and enforcing U.S. economic sanctions programs. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States, such as clearing U.S. dollar payments through a U.S. correspondent bank. Similar economic sanctions administered by the United Kingdom and the European Union may have similar jurisdictional application.

During the Track Record Period, some of our customers were involved in commercial transactions involving counterparties located in Sanctioned Countries, such as Iran, Sudan and Syria, and in countries with a higher risk of the presence of Sanctioned Persons, such as Belarus, Cote d'Ivoire, Libya, Myanmar and Zimbabwe. We processed a small amount of remittances for our customers in connection with such commercial transactions but did not engage directly in any business activities in any such countries. In addition, since June 2013, we have provided a range of banking services to a PRC state-owned enterprise engaged in the import of crude oil from a number of countries, including Iran. For details of our customers' transactions and the relevant risk analyses, see "Risk Management—Our Customers Transactions Involving Sanctioned Countries".

We cannot predict with confidence the enforcement policy with respect to economic sanctions of the United States, the European Union or the United Kingdom, and it is possible that the relevant authorities will take a different view regarding the compliance measures than we have taken. Furthermore, laws, regulations or licensing policies with respect to economic sanctions could change in a way that could affect our business involving sanctioned countries. Non-compliance with current or future applicable sanctions laws and regulations could result in civil or criminal liability for individuals and entities within our bank, the imposition of significant fines or other penalties, as well as negative publicity or reputational damage. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We may be involved in legal and other disputes from time to time arising out of our operations.

We are involved in legal and other disputes from time to time for a variety of reasons. Such disputes generally comprise loan disputes and claims arising out of our banking business. The majority of these cases arise in the ordinary course of our business. See "Business—Legal and Regulatory—Legal Proceedings". When we assess and discover a risk of potential loss, we make allowance for such loss according to our policies. See "Supervision and Regulation—Loan Classification, Allowance and Write-offs—Loan Loss Provision". We cannot guarantee that the outcome of any of the litigation in which we are involved will be favorable to us. We may have to manage various legal, administrative or other disputes and proceedings in the future, which may result in damage to our reputation, additional operational costs and a diversion of our resources and management's attention from our core business operations.

We may not be able to hire, train or retain a sufficient number of qualified staff.

We rely upon the continued service and performance of our key personnel, including our senior management team and other professional staff. Our future success depends substantially upon the industry experience, business operating experience and sales and marketing skills of our key personnel, as well as their working relationships with our employees, major shareholders and customers and regulatory authorities. The loss of members of our key personnel may have a material adverse effect on our business, financial condition, results of operations and prospects.

As most aspects of our business depend substantially on the quality of our professional staff, we devote considerable resources to recruiting and training our staff members. However, we face increasing competition from other banks and financial institutions for the same pool of talent. Competition for these individuals may require us to offer higher compensation and other benefits in order to attract and retain them, which could materially increase our operating expenses and decrease our operating profit. In addition, regardless of whether they are subject to any employment contracts with us, our employees may resign at any time, and may take with them any customers that they have developed while working for us. We may be unable to attract or retain the personnel required to achieve our business objectives, which could materially and adversely affect our business and prospects.

The use of the "浙商銀行" as a trademark by us in the course of trade or business in Hong Kong may be challenged due to potential trademark infringement and passing off claims.

On June 30, 2004, our Bank was approved by the CBRC to be reorganized and became one of the 12 nationwide joint-stock commercial banks approved by the CBRC. We registered with the Zhejiang Provincial Administration of Industry and Commerce on July 26, 2004 following our reorganization, and commenced operations officially on August 18, 2004 under the "China Zheshang Bank" name and logo. We registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the name "China Zheshang Bank Co., Ltd." on September 11, 2015.

We have applied for the registration of certain trademarks consisting of the English "China Zheshang Bank", the Chinese "浙商銀行", our logo and their various combinations with the Trade Marks Registry in Hong Kong. Such applications include goods and services under Class 16, covering the goods of "printed materials and publications; printed forms, data and instruction manuals, non-coding credit cards and cash cards, books and journals, paper display boards, photos, advertising materials, computer program in printed format; stationeries; papers; paper products; letterheads, envelopes, official receipts, writing materials, bulletin boards (paper based), name cards"; Class 35, covering the services of "business operations; business management; office functions; advertising";

and Class 36, covering the services of "capital investment; financial loans; financial assessment (insurance, banking, real estate); financial services; providing financial information through websites; online banking; brokerage; guarantee; fiduciary management; insurance; credit cards and cash cards".

In the course of filing our trademark applications in Hong Kong, we discovered that a trademark, i.e. "浙商" had already been registered and is currently held by a natural person who is an independent third party without authorization from us under Class 36. As a result, our applications for registration of certain trademarks containing the Chinese words "浙商銀行" were preliminarily rejected by the Trade Marks Registry in Hong Kong. We have filed written representations with the Trade Marks Registry in Hong Kong to request a reconsideration of our applications and as of the Latest Practicable Date, the relevant authority is in the process of reviewing our request for reconsideration.

As the trademark, i.e. "浙商" had already been registered and is held by an individual who is an independent third party without authorization from us, in connection with our pending trademark applications in Hong Kong, the third party who holds the "浙商" trademark may object to our applications for registration of certain trademarks with respect to services similar to those under the "浙商" trademark which has already been registered. If we use the "浙商銀行" trademarks in Hong Kong to provide services and products under Class 36, we may be challenged by such third party owner of the "浙商" trademark.

Prior to the date of this prospectus, we had commenced legal proceedings before the Trade Marks Registry in Hong Kong to apply for a declaration of invalidity for the above-mentioned "浙商" trademark registered by this third party. However, we cannot assure you that we will succeed in the above legal proceedings or that we will be able to register the "浙商銀行" trademarks in our name in Hong Kong. For details on measures adopted, see "Business—Intellectual Property." We sell our products and provide services in the PRC and have already registered various logos and trademarks related to "China Zheshang Bank"/"浙商銀行" in our name in the PRC. If we sell products or provide services related to the classes discussed above while utilizing the relevant trademark containing the words "浙商" in Hong Kong, we may infringe upon the rights of this third party. In addition, the third party may make claims against us for trademark infringement as a result of our usage of the "浙商銀行" trademark and/or such variation of trademarks containing "浙商" in a variety of activities and materials distributed in Hong Kong. Such intellectual property litigation may be costly and time-consuming, and may divert the attention of our management from our business operations. In addition, if we are subject to legal liabilities for trademark infringement and passing off (as the case maybe), our reputation, business, financial position and operating performance may be materially and adversely affected.

RISKS RELATING TO THE PRC BANKING INDUSTRY

We face intense competition from other banks and financial institutions in the PRC banking industry, as well as competition from alternative investment and financing channels.

Currently, competition in the PRC banking industry is increasingly intense. We are facing fierce competition from the Large Commercial Banks, other nationwide joint-stock commercial banks, city commercial banks, rural commercial banks, foreign banks and other institutions. The Large Commercial Banks enjoy an advantageous position in the PRC banking industry, as well as large asset scales and large customer bases. Since the CBRC introduced certain policies promoting the business development of small and micro enterprises, city commercial banks have been expanding their scales. With the removal of restrictions on regions of operation and target customers, foreign banks have seen their business in the PRC expand at a steady pace. Such competitors enjoy fairly large advantages over us with respect to capital strength, asset scale, regional market influence and financial technology.

In recent years, the PRC government has adopted a series of measures to further lift restrictions on the entire PRC banking industry and financial market, which has resulted in increasing competition between banks and other financial institutions with a common customer base. In addition, payment and wealth management services provided by internet financial companies also place competitive pressure on our business.

The intense competition in the PRC banking industry may materially and adversely affect our financial condition and results of operations, as well as our business and prospects, in various ways, including by:

- Diminishing the market share of our principal products and service lines;
- Slowing the growth of, or even reducing, our loans and deposits;
- Decreasing our interest income or increasing our interest expenses, resulting in a decrease in our net interest income;
- Reducing our fees and commissions income;
- Increasing our non-interest expenses, such as marketing expenses;
- Adversely affecting our asset quality; and
- Increasing competition for management personnel and qualified professionals.

We may also be impacted by direct corporate financing, such as the issuance of securities in the domestic and international capital markets. In particular, the domestic securities markets have experienced significant growth in the past, and are expected to continue to expand and grow in the future. If a substantial number of our customers choose alternative financing instruments over bank loans to fund their capital needs, our interest income could decrease significantly, and our revenues and net profit could be materially reduced.

Moreover, as the PRC capital markets continue to develop, we may face competition from other investment alternatives. As the PRC stock and bond markets continue to develop and become more viable and attractive investment alternatives, our deposit customers may opt to transfer their funds into equity or bond investments, which may reduce our deposits and adversely affect our business, financial condition and results of operations.

Our business operations are highly regulated, and our business, financial condition, results of operations and prospects may be materially and adversely affected by our failure to fully comply with various applicable regulatory requirements and the changes in regulatory and other governmental policies, including their interpretation and application.

We are subject to regulatory requirements and guidelines established by various PRC regulatory authorities, including the CBRC, PBOC, SAFE, CSRC, CIRC, MOF, NAO, SAIC and SAT. These regulatory authorities regularly monitor and conduct examinations on banks, including us, and have the authority to adopt rectification or punitive measures based on their findings. We cannot assure you that we will be able to comply with all applicable regulatory requirements, guidelines and regulations. We also cannot assure you that we will not be subject to sanctions, fines or other penalties resulting from non-compliance. Failure to comply with applicable requirements, guidelines and regulations could materially and adversely affect our financial condition and results of operations and damage our reputation and ability to develop our business.

Our operations are directly affected by changes in the policies, laws and rules in the PRC relating to the banking industry, such as those affecting the extent to which we can engage in certain businesses, as well as by changes in other governmental policies. Such changes may result in restrictions on our business activities or additional costs to us. See "Supervision and Regulation—Regulation on Major Business of Commercial Banks". Future laws, rules, regulations or policies, and changes in existing laws, rules, regulations or policies may have a material adverse effect on our business, financial condition, results of operations and prospects, including restricting our business activities or increasing our costs of doing business. Furthermore, any uncertainty as to the interpretation and application of new rules and regulations may cause us to incur unanticipated operating or other costs. Failure to comply with applicable laws, rules, regulations and policies may result in fines and restrictions on our activities, which could also materially and adversely affect our business, financial condition, results of operations and prospects.

The rapid growth of the banking industry in the PRC and the Yangtze River Delta Area may not be sustainable.

Consistent with the economic development in the PRC, the PRC banking industry has experienced rapid growth. We expect the PRC banking industry to further expand as a result of, among other things, the continued growth of China's economy, increases in household income, deregulation of interest rates, further liberalization of exchange restrictions on the Renminbi and an increase in the number of fee-and-commission-based businesses. However, we cannot assure you that the growth and development of the PRC banking industry will be sustainable. The global financial crisis and the European sovereign debt crisis resulted in a global economic downturn. According to data provided by the NBS, the GDP of the PRC grew at a rate of 7.7% and 7.4% in 2013 and 2014, respectively, and decreased to 7.0% in the first half of 2015. It is uncertain whether China's economy and the PRC banking industry can maintain previous levels of growth.

In addition, according to the data published by the CBRC, non-performing loan ratios in the PRC banking industry increased for four consecutive quarters since the third quarter of 2013. Our business focuses on the Yangtze River Delta Area, and we cannot assure you that the PRC and the Yangtze River Delta Area banking industries will not be materially and adversely affected as a result of the increase in non-performing loan ratios.

If the growth rate of the PRC and the Yangtze River Delta Area banking industries slows down, or if the non-performing loan ratios in the PRC banking industry increase, our business, financial condition and results of operations may be materially and adversely affected.

Changes in liquidity and interest rates in the PRC inter-bank market could significantly increase our borrowing cost, and materially and adversely affect our liquidity as well as our financial condition.

We utilize short-term borrowing in the inter-bank lending-market to satisfy a portion of our liquidity needs, and changes in liquidity and interest rates in the PRC inter-bank market have a relatively large impact on our financing costs. A SHIBOR-based market rate system has been developed in the PRC inter-bank short-term lending market. However, due to the relatively short history of the PRC inter-bank market, there may be significant volatility in market interest rates, such as the dramatic fluctuations in the inter-bank short-term rate which occurred in June and July 2013. We cannot assure you that SHIBOR interest rates will not experience irregular volatility or will return to a normal range in the short term after experiencing irregular volatility. Any significant volatility in interest rates in the inter-bank market may have a material and adverse effect on our cost of borrowing short-term funds and our liquidity.

Moreover severe volatility in market interest rates may also have a significant impact on the value of our assets. For example, a significant increase in market interest rates may lead to a significant decrease in the fair value of our fixed income debt securities and may have a material and adverse effect on our financial condition and results of operations.

IFRS 9 and its amendments may require us to change our provisioning practice for impairment of financial assets.

We currently assess the impairment of our loans and investment assets under IAS 39. The determination of impairment requires our management to exercise significant judgment and discretion. Please see "Financial Information—Critical Accounting Estimates and Judgments". The International Accounting Standards Board ("IASB"), which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments from time to time, which will replace the accounting standards relating to classification, measurement and derecognition of financial assets and financial liabilities under IAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. These standards will take effect on January 1, 2018. The major differences between IFRS 9 and IAS 39 are the measurement categories and the approach for classifying financial assets. The classification of financial assets under IFRS 9 will require us to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Further, for financial assets that will be classified as "amortized cost" or "fair value through other comprehensive income" under IFRS 9, we will be required to apply a new expected credit loss impairment model under IFRS 9, which, as compared to the incurred loss model in IAS 39, uses more forward-looking information and does not use the existence of an objective evidence of impairment as a precondition for recognizing credit losses. For details on the differences between IFRS 9 and IAS 39, please see Note 2.1 to our historical financial information set forth in "Appendix I—Accountant's Report" to this prospectus.

It is not practicable to provide a reasonable estimate of the effect or quantify the impact on our operating results and financial position until we make a detailed assessment as the new standard requires changes to systems and processes to collect necessary data. We may change our current provisioning practice in the future in accordance with IFRS 9 and its amendments and any other future amendments to IAS 39 or similar standards, including any authoritative interpretive guidance on the application of such new or revised standards, which may in turn affect our business, financial condition and results of operations. In light of the extensive requirements of the revised guidance and new credit loss model expected under IFRS 9 and lack of practical precedents for reference, we may not be able to readily conduct our provisioning practice in accordance with IFRS 9 when it takes effect, which could adversely affect our business, financial condition and results of operations.

The effectiveness of our credit risk management is affected by the quality and scope of credit information available in the PRC.

The completeness and reliability of information relating to customer credit risk is relatively limited in the PRC. While the national individual and corporate credit information databases developed by the PBOC have been put into operation and China UnionPay Co., Ltd. has provided an individual credit blacklist, such national credit information systems can only provide limited information. Moreover, the domestic information infrastructure in the PRC is still at the development stage and is subject to further refinement. As a result, our assessment of the credit risks associated with certain customers may not be based on complete, accurate or reliable information. Until these nationwide credit information databases or other information databases are fully developed, we have to rely on other publicly available resources and our internal resources, which may not be comparable to a comprehensive national credit information system in terms of the coverage and validity of sources of information. As a result, our ability to effectively manage credit risks may be limited, which in turn may materially and adversely affect our business, financial condition and results of operations.

PRC regulations impose certain limitations on the product categories in which we may invest and, as a result, our ability to seek higher investment returns, diversify our investment portfolio or hedge against the risks relating to our RMB-denominated assets is limited.

As a result of the current PRC regulatory restrictions, most of our RMB-denominated investment assets are concentrated in a limited variety of investments permitted for PRC commercial banks, such as debt securities issued by the MOF, the PBOC, PRC policy banks and PRC commercial banks, commercial papers issued by qualified domestic institutions, medium-term notes, domestic corporate bonds and asset management plans. As a result, the investment assets of PRC commercial banks have demonstrated a relatively high level of correlation such that a decline in the value of some assets is often accompanied by corresponding decreases in the value of other assets. Restrictions on our ability to diversify our investment portfolio limit our ability to seek an optimal rate of return and to manage our liquidity. Moreover, our ability to hedge against the risks relating to our RMB-denominated investment assets is limited due to restrictions under applicable PRC laws and regulations regarding RMB-denominated hedging instruments. If the value of our RMB-denominated assets significantly drops within a short period of time, our financial condition and results of operations could be materially and adversely affected.

Interest rate liberalization and other market risks arising from changes in the regulatory environment in the PRC banking industry may materially and adversely affect our results of operations.

Our financial performance depends to a large extent on our net interest income. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our net interest income accounted for 90.7%, 82.4%, 83.6% and 85.6% of our operating income, respectively. Our net interest income is sensitive to adjustments in the benchmark interest rates set by the PBOC.

In recent years, the PBOC has adjusted the benchmark interest rates many times. For example, it increased interest rates in 2010 and 2011 to restrain inflation and cool down the PRC economy, and reduced interest rates in 2012, 2014 and 2015 in response to the global economic recession. Changes in market interest rates could affect the interest rates of our interest-earning assets and interest-bearing liabilities to varying degrees. Any adjustments to the benchmark interest rates or any changes in market interest rates could cause our interest expenses to increase at a faster rate than our interest income, leading to a reduction in our net interest spread, which, in turn, could materially impact our financial condition and results of operations.

The PBOC has fully liberalized control over the lending rates for financial institutions since July 2013, and has done the same for the upper limit of interest rates for deposits with commercial banks and rural cooperative financial institutions since October 2015. If the existing regulations continue to be substantially liberalized or eliminated, loan-deposit spreads in the PRC banking industry may further narrow due to market competition, which could reduce our operating income. Furthermore, we cannot assure you that we will be able to adjust the composition of our asset and liability portfolios and our price-setting mechanism to effectively cope with interest rate liberalization.

The Regulations on Deposit Insurance (《存款保險條例》) were officially implemented on May 1, 2015. These regulations emphasize the protection of depositors' interests and may change the structure of deposits. As these regulations were only recently implemented, and their influence on us cannot yet be measured accurately, we cannot assure you that their implementation will not act as a drain on our customers with large deposits, which could, in turn, materially and adversely affect our financial condition and results of operations.

We cannot assure you of the accuracy and comparability of the facts, forecasts and statistics contained in this Prospectus with respect to the China's economy and its banking industry.

Facts, forecasts and statistics in this Prospectus relating to the PRC economy and financial condition or its banking industry, including our market share information, are derived from various public sources which are generally believed to be reliable. However, we cannot guarantee the quality and reliability of such sources. In addition, these facts, forecasts and statistics have not been independently verified by us, and may not be consistent with the information available from other sources and may not be complete or up-to-date. We have taken reasonable care in reproducing or extracting the information from the sources mentioned above. However, due to differences in preparation methods, discrepancies in market practices and other factors, these facts, forecasts and other statistics may be inaccurate and may not be comparable from period to period or to facts, forecasts and statistics of other economies. None of us, the Joint Global Coordinators, the Joint Sponsors, the Underwriters or any of our or their respective affiliates or advisors has prepared such information or independently verified such information. As a result, no representation is given by us as to the accuracy or completeness of these facts, forecasts and statistics. Investors should carefully consider and measure the importance of these facts, forecasts and statistics.

Investments in commercial banks in the PRC are subject to restrictions that may materially and adversely affect the value of your investments.

Under the PRC Company Law, we may not accept our own shares as collateral. In addition, a shareholder whose outstanding borrowing amount owed to us exceeds the audited net equity interests held by him or her for the last fiscal year is prohibited from pledging his or her equity interests in our Bank. Furthermore, a shareholder must notify our Bank before pledging our Shares as collateral for itself or others and complete a filing procedure pursuant to the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), our Articles of Association and our relevant regulations on share pledge. When a shareholder pledges 50% or more of his or her equity interests in our Bank, the voting rights of such shareholder at the shareholders' general meeting shall be restricted. Shares that have been pledged shall be disqualified from voting at the shareholders' general meeting and shall not be included when determining the total number of shares held by the shareholders present at the shareholders' general meeting. The directors designated or recommended by such shareholders shall be disqualified from voting at the meeting of the Board and shall not be included in the number of attendees of such meeting. Shareholders, especially substantial shareholders, who are in default with respect to their credit liabilities owed to our bank, are not permitted to exercise their voting rights at the general meetings, their shareholdings are not counted as shares represented by shareholders entitled to vote at the general meeting and directors recommended or nominated by such shareholders cannot vote at board meetings nor be counted towards a number of attendees. See "Supervision and Regulation—Ownership and Restrictions of Shareholders—Restrictions on Shareholders". As a result of the aforementioned, you may be unable to pledge your shares in our Bank as collateral unless you comply with applicable PRC legal and regulatory requirements.

In addition, investments in commercial banks in the PRC are subject to a number of ownership restrictions. For example, prior approval from the PRC banking regulatory authorities is required for any individual or entity to acquire 5% or more of the share capital or total issued shares of a commercial bank in the PRC, unless otherwise required by the approval authority. The CBRC may, depending on the specific circumstances, apply regulations in relation to qualification review on major shareholders of small and middle size commercial banks when reviewing the applications. Non-compliance will subject an individual or entity to sanctions by the PRC banking regulatory authorities, which may include, among other things, an order to rectify the non-compliance and fines and disgorgement of any relevant profits. According to our Articles of Association, if an individual or entity controls 5% or more of our outstanding shares without approval from the regulatory authorities, they may not exercise shareholders' rights for the portion exceeding 5%, including voting rights at the shareholders' general meeting and the right to nominate directors and supervisors, before they obtain the required approvals. Future changes in restrictions imposed by the PRC government or our Articles of Association on our shareholders and the shares they hold in our Bank could materially and adversely affect the value of your investment.

Our business, financial condition, results of operations and prospects and the value of your investments may be adversely affected as a result of negative publicity associated with the PRC banking industry in general or our Bank, our substantial shareholders, our senior management or the employees of our Bank, even if such negative publicity is inaccurate, unsubstantiated or immaterial.

Reputation is crucial to the successful operation of a bank. In recent years, media reports of, and public interest in, the poor management and incidents of misconduct of commercial banks are steadily growing. We cannot guarantee that we will not become a target of negative reports in the media (including on the internet) or involved in such negative reports as a result of our business operations or the misconduct of our senior management or employees. Such negative reports on us or our employees, whether correct or relevant or not, may have a material adverse effect on our reputation. As a result, our business, financial condition, results of operations and prospects, and the value of your investment, may be materially and adversely affected.

RISKS RELATING TO THE PRC

The economic, political and social conditions of the PRC, as well as its government policies, could affect our business, financial condition, results of operations and prospects.

Substantially all of our assets and operations are located in the PRC. As a result, our business, financial condition, results of operations and prospects are affected by the economic, political and legal developments of the PRC. In particular, the PRC government continues to have significant influence on domestic economic growth through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries and companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, driven mixed ownership reform for SOEs and established sound corporate governance policies for business enterprises. These economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, some of these measures may benefit the domestic economy as a whole, but may have an adverse effect on us. For example, our results of operations may be adversely affected by government control over capital investments or changes to applicable tax regulations.

In addition to participating directly in market activities, the PRC government has the authority to implement macroeconomic policies and measures affecting the domestic economy on a broader scale, including adjusting the benchmark interest rate and statutory deposit reserve ratio applicable to PRC commercial banks, implementing lending restrictions and issuing guidelines for industry development to promote or limit the growth of certain industries. Changes in the macroeconomic and other conditions as a result of PRC government policies and measures may affect our business and operations, as well as our financial performance.

An economic slowdown or recession in the PRC may reduce the demand for our products and services and may lower the quality of our assets, which in turn could have a material adverse effect on our business, results of operations, financial condition and prospects.

We conduct our business and generate all of our revenues in the PRC. As a result, economic developments in the PRC have a significant effect on our financial condition, results of operations and prospects. In recent years, the PRC has been one of the world's fastest growing economies in terms of GDP growth. However, the global financial crisis in 2008 has led to a slowdown in the economic growth of the PRC. For example, the GDP growth rate of the PRC decreased from 11.4% in 2007 to 7.4% in 2014, and further decreased to 7.0 % in the first half in 2015. The global economy may continue to deteriorate in the future, which could have an adverse impact on the PRC economy. Any significant slowdown in the China's economy could have a material adverse effect on the PRC banking industry as well as our business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers and counterparties will default on their loan repayments or other obligations, which, in turn, could result in an increase in our non-performing loans, allowance for impairment losses on loans and write-offs, all of which would materially reduce our profit before tax;
- the value of our investments may significantly decline, which could materially and adversely affect our financial condition and results of operations;
- we may not be able to raise additional capital on favorable terms, or at all; and
- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in some economies and materially and adversely affect our business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, the volatility of capital markets and inflation all affect the business and economic environment, the growth of the PRC banking industry and ultimately, our profitability. Our labor and other costs may also increase due to pressure from inflation. Moreover, any future calamities, such as natural disasters, outbreaks of contagious diseases or social unrest, may cause a decrease in the level of economic activities and could adversely affect the economic growth of the PRC, Asia and elsewhere in the world.

If the China's economy experiences a slowdown or regression, our results of operations, financial condition and prospects could be materially and adversely affected.

Legal protections available to you under the PRC legal system may be limited.

We are incorporated under the laws of the PRC. The PRC legal system is based primarily on a Civil Law model. Prior court decisions may receive consideration, but have limited precedential value. Since 1979, the PRC government, with a view to developing a comprehensive system of commercial law, has promulgated laws, rules and regulations dealing with such economic matters as securities, shareholder rights, foreign investment, corporate organization and governance, commerce, taxation and trade. Nevertheless, because these laws, rules and regulations are relatively new, and the products, instruments and overall structure of the PRC banking industry continue to evolve, the effect of these laws, rules and regulations on parties' rights and obligations will be uncertain. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that any disputes between holders of H Shares and us, our directors, supervisors or senior officers, or claims against us, our directors, supervisors or senior officers, in relation to matters arising out of our Articles of Association, the rights and obligations under the PRC Company Law or other relevant laws or administrative regulations, shall be submitted to arbitration. The ruling of such arbitration shall be final. A claimant may elect for arbitration to be carried out at the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Centre in accordance with its Securities Arbitration Rules. Hong Kong arbitration awards may be recognized and enforced by PRC courts, subject to certain conditions. However, we cannot assure you that such an action would succeed. For these reasons, the legal protections available to you as a holder of our H Shares may be limited.

We are subject to the PRC government's controls on currency conversion and risks relating to volatility in future exchange rates.

Substantially all of our revenues are denominated in RMB, which is currently not a freely convertible currency. A portion of this revenue must be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends on our H shares.

Under the existing foreign exchange regulations of the PRC, following the completion of the Global Offering, and by complying with certain procedural requirements, we will be able to undertake foreign exchange transactions in current accounts, including payment of dividends without prior approval from the SAFE. However, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital-account and current-account transactions, which could result in us being unable to pay dividends in foreign currencies to holders of our H Shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors which include, among other things, changes to the PRC and international political and economic conditions and the fiscal and currency policies prescribed by the PRC government. Since 1994, the conversion of the Renminbi to foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are determined on a daily basis based on the inter-bank foreign exchange market rates of the previous business day and the current exchange rates of the international financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars generally remained stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. On May 18, 2007, the PBOC announced that the floating band for the trading prices of the Renminbi against the U.S. dollar in the inter-bank foreign exchange market would be expanded from 0.3% to 0.5% beginning May 21, 2007. The PBOC further enlarged the floating band for the trading prices in the inter-bank spot exchange market to 1.0% on April 16, 2012 and to 2.0% on March 14, 2014. On August 11, 2015, the PBOC announced that it would improve the central parity quotations of RMB against the U.S. dollar. On the same day, the one-time depreciation of the median price of the Renminbi was 1,136 basis points. The PRC government may, in the future, make further adjustments to the exchange rate system.

Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets. Conversely, any depreciation of the Renminbi may cause the value of our H Shares and dividends paid on our H Shares to decrease in foreign currency terms. As of September 30, 2015, 2.8% of our assets and 2.9% of our liabilities were denominated in foreign currencies. We cannot assure you that we will be able to reduce our foreign exchange risk exposure by way of foreign exchange derivatives or otherwise. In addition, there are limited instruments available for us to reduce our exposure to foreign currency risk at reasonable costs. See "Financial Information—Quantitative and Qualitative Analysis of Market Risk—Foreign Exchange Risk". Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may also materially and adversely affect the financial condition of certain of our customers, particularly those who derive substantial income from product exporting or related businesses, which, in turn, may impair their abilities to fulfill their obligations to us. In addition, we are required to obtain the SAFE's prior approval when we convert substantial amounts of foreign currencies into Renminbi. All of these factors could materially and adversely affect our financial condition, results of operations and compliance with capital adequacy and operating ratios.

Our current provisions of enforcing voting restrictions may be subject to more stringent regulatory requirements in the future which in turn could lead to additional costs.

In November 2013, the CBRC issued the Notice of China Banking Regulatory Commission on Strengthening the Management of Equity Pledge of Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》) (the "Notice") pursuant to which the articles of association of commercial banks in the PRC shall provide that the voting rights of shareholder in shareholder's general meeting or the voting rights of the director(s) designated by the shareholder in board meetings shall be subject to restrictions if shares pledged by the relevant shareholder reaches 50% or more of such shareholder's shareholding in the bank (the "Voting Restrictions"). However, the Notice did not provide clarification or guidance on what restrictions should be imposed or how they should be imposed.

To comply with the Notice, we amended our Articles of Association to provide principles with respect to the Voting Restrictions, which was approved by the CBRC on March 13, 2015. However, due to the lack of implementation rules, we currently do not apply the Voting Restrictions on our shareholders or directors designated by any of such shareholders. As of September 30, 2015, 12 of our 26 registered shareholders have pledged 50% or more of their Shares and none of such shareholders individually holds more than 5% of our total outstanding Shares.

Our Articles of Association effective upon the Listing have detailed implementation rules on the Voting Restrictions providing that:

- if any shares of the Bank are to be pledged for the benefits of a shareholder or others, such shareholder shall be in strict compliance with the laws and regulations, and the requirements of the regulatory authorities, and complete the filing procedures applicable to such pledges according to the relevant requirements on pledging of equity interests in our Bank. Where the Board of Directors considers the pledge to be materially adverse to the stability of shareholding in our Bank, our corporate governance, as well as our control on risks and connected transactions, the filing shall not be accepted.
- A shareholder whose outstanding borrowing amount owed to the Bank exceeds the audited net equity interests held by such shareholder for the last year is prohibited from pledging his shares in the Bank. Where a shareholder pledges 50% or more of its shares in the Bank, the voting rights of such shareholder at the shareholders' general meetings shall be subject to restrictions, and such shareholder cannot exercise its voting rights in respect of the pledged equity interests, which will not be counted towards the total number of shares held by shareholders who attend such general meeting; and the directors proposed or nominated by such shareholders cannot exercise voting rights in meetings of the Board of Directors nor will such directors be counted towards the number of attendees for the Board meeting.

Such rules will be strictly enforced upon the Listing. Since the issue of the Notice and up to the Latest Practicable Date, we had not been notified of any objection or penalties brought against us in this regard by PRC regulatory authorities. Nonetheless, we cannot assure you that the regulatory authorities will not demand us to take remedial actions or bring regulatory actions against us due to our practice of enforcing the Voting Restrictions in the past. Such demand and regulatory actions may adversely affect our business operation. In addition, we cannot assure you that we will not be required by regulatory authorities to impose the Voting Restrictions on our Shareholders, including holders of our H Shares, in a manner deemed appropriate by such regulatory authorities which, in extreme cases, may involve suspension of the relevant Shareholders' voting rights.

You may experience difficulties effecting service of legal process or enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC, and as of the Latest Practicable Date, most of our assets and all of subsidiaries were located in the PRC. In addition, the majority of our Directors, Supervisors and executive officers reside within the PRC, and the assets of our Directors and executive officers may also be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside of the PRC upon most of our Directors, Supervisors and executive officers, including with respect to matters arising under the U.S. Federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States or any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

Moreover, although we will be subject to the Hong Kong Listing Rules and Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of our H Shares will not be able to bring actions for violations of the Hong Kong Listing Rules but must rely on the Hong Kong Stock Exchange to enforce its rules. Furthermore, the Hong Kong Listing Rules and Takeovers Code do not have the force of law in Hong Kong.

You may be subject to PRC taxation for dividends received and gains realized in connection with our H Shares.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H shares. Non-PRC domestic resident individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) at a rate of 20% unless such amount is specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. According to relevant applicable regulations, generally, domestic non-foreign-invested enterprises issuing H shares may, when distributing dividends, withhold individual income tax at the rate of 10%. As of the Latest Practicable Date, there remained uncertainty, as there are not specific laws, regulations or statutory documents which state whether gains realized upon disposal of a PRC resident enterprise's shares listed on overseas stock exchanges by non-PRC domestic resident individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to PRC enterprise income tax at the rate of 10% on gains from the PRC, including dividends received from Hong Kong listed PRC companies and gains realized upon disposal of equity interests in PRC companies pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and other applicable PRC tax regulations and statutory documents.

We are required to withhold income tax, which can be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdictions where a non-PRC resident enterprise resides, from dividend payments to holders of our H Shares.

However, despite the arrangements mentioned above, the PRC tax laws and rules may change. For example, the relevant preferential tax treatment may be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. In addition, there remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws and rules, such as with respect to the taxation of profits arising from the sales of H Shares by non-PRC resident enterprise holders or non-PRC resident individual holders. If there is any change to current tax laws and rules or to their interpretation or application, the value of your investment in our H Shares may be materially and adversely affected. See "Appendix VII—Taxation and Foreign Exchange—Taxation of Security Holders—The PRC Taxation."

U.S. FATCA withholding tax may be imposed on payments on the H Shares.

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and applicable U.S. Treasury Regulations commonly referred to as "FATCA" generally impose an information reporting regime and potentially a 30% withholding tax with respect to certain payments to any non-U.S. financial institution (an "FFI") that does not become a "Participating FFI" by entering into an agreement with the U.S. Internal Revenue Service ("IRS") to provide the IRS with certain information in respect of its account holders and investors (a "FATCA Agreement") or is not otherwise exempt from, or in deemed compliance with, FATCA, including by reason of being in compliance with an applicable intergovernmental agreement between the United States and the jurisdiction in which the FFI operates (an "IGA"). Beginning with payments made after the later of January 1, 2019 and the date that is six months after the date on which final regulations defining the term "foreign passthru payments" are published in the U.S. Federal Register, an FFI may be required to withhold under FATCA in respect of "foreign passthru payments" made to other FFIs that are not Participating FFIs or otherwise exempt from or in deemed compliance with FATCA or to persons that are account holders of such FFI that fail to provide information sufficient to determine whether such person is exempt from FATCA withholding.

The PRC and a number of other jurisdictions, have entered into, or have agreed in substance to, IGAs with the US to facilitate the implementation of FATCA. FFIs or branches of FFIs established in a jurisdiction that has entered into an IGA (including a jurisdiction, such as the PRC which has reached an agreement in substance with the U.S. on the terms of an IGA), and which are treated as in compliance with the requirements of such IGA and any implementing legislation, generally are not subject to withholding under FATCA on any payments they receive and are not expected to be required to withhold under FATCA or the relevant IGA (or any legislation implementing such IGA) from payments that they make to others, but generally would be required to collect and report certain information in respect of certain account holders and investors to the IRS or to local tax authorities as may be provided in the relevant IGA, in which case such local tax authorities generally will be obligated to share such information with the IRS. We and certain of our subsidiaries may be subject to U.S. withholding tax under FATCA on certain payments we receive unless we or they enter into a FATCA Agreement or are subject to and in compliance with an applicable IGA. We expect that we and our subsidiaries will be subject to the IGA between the U.S. and the PRC and intend to comply with the requirements of such IGA and any implementing PRC legislation.

Notwithstanding that final regulations defining the term "foreign passthru payments" have not yet been published in the U.S. Federal Register, the Bank does not expect that payments it makes will be considered foreign passthru payments and, therefore, that it will be required to withhold any amount in respect of FATCA from distributions it makes on the H shares. However, a financial institution through which payments are made may be required to withhold under FATCA if such intermediary is not exempt from FATCA withholding (including pursuant to the terms of any applicable IGA). Investors should consult their tax advisers regarding the application of the FATCA rules to an investment in H Shares.

Our ability to pay dividends to you is subject to restrictions under PRC laws.

Under PRC law and our Articles of Association, dividends may be paid only out of distributable profits. Our profit distribution plan is subject to approval by a shareholders' general meeting. In addition to the financial statements prepared in accordance with PRC accounting standards and regulations, we will also prepare financial statements in accordance with IFRS. Our profit after tax available for distribution for a particular financial year will be the lower amount of profit after tax as shown in the financial statements prepared under both of the two accounting standards mentioned above. We are prohibited from paying dividends for a given year out of our profit after tax to our shareholders in proportion to their respective shareholdings before making up any accumulated losses for previous years and making appropriations to the statutory surplus reserve, general reserve and discretionary reserve as approved at a shareholders' general meeting. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our shareholders in the future, including in respect of periods where we record an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

In addition, the CBRC has discretionary authority to restrict dividend payments and other distributions by any bank that fails to meet the capital adequacy ratio requirements or any bank that has violated certain other PRC banking regulations. See "Supervision and Regulation—Supervision Over Capital Adequacy" and "Supervision and Regulation—Major Regulatory Authorities—China Banking Regulatory Commission."

Any future occurrence of major natural disasters or outbreaks of contagious diseases, wars or terrorist activities in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Any future occurrence of major natural disasters or outbreaks of fatal health epidemics and contagious diseases, wars or terrorist activities in the PRC may severely disrupt our business and materially and adversely affect our financial condition and results of operations. An outbreak of a health epidemic or contagious disease could cause a widespread health crisis and hamper business activities in affected areas, which could in turn severely disrupt our operations. The future occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, or measures taken by the PRC government or other countries in response to such outbreaks of health epidemics and contagious diseases, wars or terrorist activities may also seriously interrupt our operations or those of our customers, which could have a material adverse effect on our financial condition and results of our operations.

RISKS RELATING TO THE GLOBAL OFFERING

An active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders), and may not be an indication of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, the removal of the restrictions on H share transactions or volatility in market prices and demand for our products, could cause large and sudden changes to the volume and price at which our H Shares will trade. In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

Future sales or perceived sales of a substantial number of our H Shares in public markets could cause the prevailing market price of our H Shares to decrease significantly, as well as dilute our shareholders' H shareholdings.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H shares or other securities relating to our H shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings when we issue additional securities in future offerings. New equity or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

The conversion of a significant number of Domestic Shares into H Shares could materially and adversely affect the prevailing market price for our H Shares.

Our Domestic Shares can be converted into H Shares if the conversion and trading of the H Shares is duly completed pursuant to the requisite approval process and the approval from the relevant PRC regulatory authorities, including the CSRC, is obtained. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council and the regulations, requirements and procedures of the Hong Kong Stock Exchange. If a significant number of Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could have a material and adverse effect on the prevailing market price for our H Shares.

As the Offer Price of our H Shares is higher than our net tangible asset value per share, you will experience immediate dilution in your shareholdings.

The Offer Price of our H Shares is higher than the net tangible asset value per share of the outstanding shares of our then-existing shareholders as of September 30, 2015. As a result, purchasers of our H Shares in the Global Offering will experience a dilution by HK$0.20 per share, representing the difference between the Offer Price and the pro forma adjusted net tangible asset value per share as of September 30, 2015 (assuming an Offer Price of HK$4.12 per H Share, being the high-end of our indicative Offer Price range in the Global Offering, and assuming that the Over-allotment Option for the Global Offering is not exercised and after deduction of estimated underwriting fees and offering expenses we are required to pay in connection with the Global Offering). If the Over-allotment Option for the Global Offering is exercised, or if we issue new shares in the future, purchasers of our H Shares could experience further dilution in their shareholdings.

Dividends distributed in the past may not be an indication of our dividend policy in the future.

The amount of dividends we have paid historically is not an indication of our future performance or the amount of dividends that may be paid in the future. We declared cash dividends of RMB2,001 million and RMB2,800 million for the financial years ended December 31, 2011 and 2012 in May 2012 and June 2013, respectively. We did not declare dividends for the financial years ended December 31, 2013 and 2014. Any future declaration of dividends will be proposed by our Board and the amount of any dividends will depend on various factors, including our financial condition, results of our operations, our business prospects, our capital adequacy levels and other factors that our Board may determine to be important. See "Financial Information—Dividend Policy". We cannot guarantee if and when we will pay dividends in the future.

Since there will be a gap of five Hong Kong business days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

You should rely on this Prospectus, the Application Forms and other formal announcements made with respect to the Global Offering when making your investment decision, and not on any other information released by us or any information contained in press articles or other media.

We have not authorized anyone to provide you with information that is not contained in this Prospectus and the Application Forms. Any financial information, financial projections, valuations or other information purportedly about us contained in any press articles or other media have not been authorized by us and we make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication, and accordingly do not take any responsibility for any such press or media coverage or the inaccuracy or incompleteness of any such information. In addition, due to the differences in disclosure requirements and applicable accounting standards, the information about us and our financial information in the annual reports published on our website may be inconsistent or may even contradict what is disclosed in this Prospectus. In making your decision as to whether to purchase our H Shares, you should rely only on the information in this Prospectus, the Application Forms and other formal announcements made with respect to the Global Offering.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V, Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to our Bank. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC AND THE CBRC APPROVALS

We have obtained approvals from the CBRC and the CSRC for the Global Offering and the making of the application to list our H Shares on the Hong Kong Stock Exchange, on November 2, 2015 and January 18, 2016, respectively. In granting such approvals, neither the CBRC nor the CSRC accepts any responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain all the terms and conditions of the Hong Kong Public Offering.

The Offer Shares are offered for subscription or sale solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, officers, employees, advisors, agents, or representatives or any other parties involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong

Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters. The International Offering is managed by the Joint Global Coordinators. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to the agreement on the Offer Price between us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed upon amongst us (for ourselves and on behalf of the Selling Shareholders) and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. For further details about the Underwriters and the underwriting arrangements, see "Underwriting".

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions. If the person acquiring the Offer Shares is an overseas financial institution, the number of Offer Shares to be issued to such person will not exceed 20% of our total Shares immediately after the completion of the Global Offering. For details of the relevant regulations, see "Supervision and Regulation—Ownership and Restrictions of Shareholders—Regulation on Equity Investment by Banks".

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and/or the related Application Forms and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

THE SELLING SHAREHOLDERS

Set forth below are the details of the Selling Shareholders:

Name	Number of Sale Shares (assuming the Over-allotment Option is not exercised)	Number of Sale Shares (assuming the Over-allotment Option is exercised in full)
Zhejiang Provincial Financial Holdings Co., Ltd.	209,661,548	241,110,781
Zhejiang Provincial Energy Group Co., Ltd.	66,415,502	76,377,827
Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd.	23,922,950	27,511,392
Total	**300,000,000**	**345,000,000**

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares including:

(i) the H Shares which may be issued by our Bank pursuant to the Global Offering and upon the exercise of the Over-allotment Option;

(ii) the H Shares which will be converted from Domestic Shares and offered by the Selling Shareholders pursuant to the relevant PRC regulations relating to the reduction of state-owned shares and the additional H Shares converted from the Domestic Shares and offered by the Selling Shareholders upon the exercise of the Over-allotment Option.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on March 30, 2016.

Save as disclosed in this prospectus, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Hong Kong Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to, the H Shares. It is emphasized that neither we nor the Selling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, nor their respective directors, officers, employees, advisors, agents or representatives nor any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of H Shares resulting from the subscription, purchase, holding, disposal of, dealing in, or exercise of any rights in relation to, the H Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our H Share Registrar to be maintained in Hong Kong. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty. See “Appendix VII—Taxation and Foreign Exchange”.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Bank, dividends payable in Hong Kong dollars in respect of H Shares will be paid to shareholders as recorded in our H Share register, and sent by ordinary post, at the shareholders’ own risk, to the registered address of each shareholder.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(a) agrees with us and each of our shareholders, and we agree with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(b) agrees with us, each of our shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree, with each of our shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;

(c) agrees with us and each of our shareholders that the H Shares are freely transferable by the holders thereof; and

(d) authorizes us to enter into a contract on his behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our shareholders as stipulated in our Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associates (as such term is defined in the Listing Rules) of any of the Directors of our Bank or an existing shareholder of our Bank or a nominee of any of the foregoing.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

OVER-ALLOTMENT AND STABILIZATION

For details of the arrangements relating to the Over-allotment Option and the stabilization, see "Structure of the Global Offering".

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

For the procedures for applying for the Hong Kong Offer Shares, see "How to Apply for Hong Kong Offer Shares" and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

For details of the structure of the Global Offering, including its conditions, see "Structure of the Global Offering".

EXCHANGE RATE

Unless we indicate otherwise, in this prospectus, the translations of Renminbi amounts into Hong Kong dollars, Renminbi amounts into US dollars, and Hong Kong dollars into US dollars have been made at the following exchange rates and vice versa:

- RMB0.8386: HK$1.0000 (set by the PBOC for foreign exchange transactions prevailing on March 7, 2016)
- HK$7.7647: US$1.0000 (the noon buying rate in effect on March 4, 2016 as set out in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States)

No representation is made that any amounts denominated in one currency can be or could have been converted into another currency at the above exchange rates or any other exchange rates on such date or any other date.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, certificates, titles, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there are any inconsistency, the Chinese name shall prevail.

ROUNDING

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions or hundred millions, certain amounts of less than one hundred, one thousand, ten thousand, one million or hundred million, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million or hundred million, respectively. Amounts presented as percentages have, in certain cases, been rounded to the nearest tenth or hundredth of a percent. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

WAIVER FROM HONG KONG FINANCIAL DISCLOSURE REQUIREMENTS

Rule 4.10 of the Listing Rules states that the information to be disclosed in respect of Rules 4.04 to 4.09 must be in accordance with best practices under the Companies Ordinance and Hong Kong Financial Reporting Standards, IFRS or China Accounting Standards for Business Enterprises in the case of PRC issuers, and, in the case of banking companies, the "Financial Disclosure by Locally Incorporated Authorized Institutions" ("FD-1") from the Supervisory Policy Manual issued by the HKMA.

The Banking Disclosure Rules issued by the HKMA replace, inter alia, FD-1 and are applicable to relevant authorized institutions from the beginning of its first financial year commencing on or after January 1, 2007. As we are engaged in banking activities, pursuant to Rule 4.10 of the Listing Rules, the financial information to be disclosed in this prospectus should include information that is required to be disclosed in respect of those specific matters under the Banking Disclosure Rules.

We are currently unable to fully comply with the disclosure requirements under the Banking Disclosure Rules for the reasons described below. We believe that the financial requirements that we are unable to comply with are immaterial to potential investors of the Global Offering.

Our Position in relation to disclosures under the Banking Disclosure Rules

Section number	Disclosure requirements	Reason for a waiver in relation to the specific disclosure	Proposal for disclosure	Expected time for full compliance
47(3)	(3) Where an authorized institution's total amount of loans and advances to a counterparty type, or to a sector which has been classified by the institution as an industry sector, constitutes not less than 10% of the institution's total amount of loans and advances, the institution shall, in respect of that counterparty type or industry sector, as the case may be, disclose—(a) the amount of impaired loans and advances which are individually determined to be impaired and, if available, overdue loans and advances, set out separately; (b) the amounts of specific provisions and collective provisions; and (c) the amount of new provisions charged to profit and loss, and the amount of impaired loans and advances written off during the annual reporting period.	The Bank did not maintain such data for specific industry sector, but the information is maintained for all loans and advances to customers.	N/A	The Bank commits to collect the relevant information and will be able to disclose these amounts for the year ending December 31, 2016.

Section number	Disclosure requirements	Reason for a waiver in relation to the specific disclosure	Proposal for disclosure	Expected time for full compliance
48(3)	(3) An authorized institution shall disclose—(a) a description of any collateral held in respect of its overdue loans and advances and any other forms of credit risk mitigation and, unless impracticable, an estimate of the fair value of such collateral or such other forms of credit risk mitigation; and	The Bank did not maintain updated fair value information for the collateral held in respect of its overdue loans and advances and any other forms of credit risk mitigation during the Track Record Period. Instead, we keep track of the fair value of collateral by another mechanism. Since we only maintain updated fair value information for the collateral for impaired corporate loans and advances and impaired personal loans and advances, we have disclosed the fair value of collateral in respect of impaired corporate loans and advances and impaired personal loans and advances in Note 39.1.6(g) of Section II of the accountant's report as set out in Appendix I to this prospectus.	N/A	The Bank commits to collect the relevant information and will be able to disclose these amounts for the year ending December 31, 2016.

Save for the above, as a financial institution incorporated and based in the PRC, we are required to comply with the regulatory requirements of the CBRC and the PBOC. Certain provisions of the Banking Disclosure Rules require disclosure in respect of our capital structure, capital base (in particular, relating to our level of capital adequacy), cross-border claims, liquidity ratios, PRC non-bank exposures and credit risks. We have maintained and compiled data relating to these matters in accordance with the regulatory requirements of the CBRC and the PBOC. We believe that the CBRC and the PBOC requirements attempt to address similar disclosure considerations to the requirements of the Banking Disclosure Rules and the differences between the above disclosure requirements under the two regulatory regimes are minimal and immaterial. It will be unduly burdensome for us to attempt to comply with such items under the Banking Disclosure Rules in parallel with the CBRC and the PBOC regulations as we would be required, in our view, to carry out unnecessary additional work to compile similar information already required and maintained in accordance with the CBRC and the PBOC regulations. As a result, we propose to disclose information which complies with the CBRC and the PBOC regulations in this regard instead of strictly following the disclosure regime provided for under the Banking Disclosure Rules, which will result in the compilation of similar data. We are of the view that this prospectus will contain sufficient information for investors to make a fully informed investment decision notwithstanding the differences between the CBRC and the PBOC requirements on the one hand, and the requirements of the Banking Disclosure Rules on the other. The Joint Sponsors concur with the view of our Bank based on the reasoning set out above.

Based on the above, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 4.10 of the Listing Rules, such that we will not fully comply with the requirements in respect of financial disclosures provided for under the Banking Disclosure Rules on the condition that as soon as we obtain the relevant information, we must comply with the requirements under Rule 4.10 of the Listing Rules.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his academic or professional qualifications or relevant experience is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

- a member of The Hong Kong Institute of Chartered Secretaries;
- a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Mr. Liu Long as one of the joint company secretaries. Mr. Liu Long has been the secretary to the Board and the head of the Board of Directors Office since November 2014. Mr. Liu Long has extensive knowledge about the business operations and corporate culture of our Bank and has extensive experience in matters concerning the board of directors and corporate governance of our Bank. However, Mr. Liu Long does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. As a result, we have appointed Mr. Wong Yat Tung, who meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to provide assistance to Mr. Liu Long for an initial period of three years from the Listing Date so as to fully comply with the requirements set out under Rules 3.28 and 8.17 of the Listing Rules.

Mr. Wong Yat Tung will work closely with Mr. Liu Long to jointly discharge the duties and responsibilities as company secretary and assist Mr. Liu Long to acquire the relevant experience as required under Rule 3.28 of the Listing Rules. In addition, Mr. Liu Long will attend relevant trainings to enhance and improve his knowledge of and familiarity with the Listing Rules and other relevant laws, rules and regulations.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the condition that Mr. Wong Yat Tung is engaged as a joint company secretary and provides assistance to Mr. Liu Long during this period. If Mr. Wong Yat Tung ceases to render assistance to Mr. Liu Long during this period, the waiver will be immediately withdrawn. Upon expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Liu Long to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We and Mr. Liu Long would then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. Liu Long, having had the benefit of Mr. Wong Yat Tung's assistance, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules, so that a further waiver would no longer be necessary.

WAIVER IN RELATION TO MANAGEMENT PRESENCE

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since substantially all of the business operations of our Bank are outside of Hong Kong, and all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules on the condition of the following arrangements for maintaining regular communication with the Hong Kong Stock Exchange:

(a) we have appointed Mr. Xu Renyan, the vice president of our Bank, and Mr. Liu Long, a joint company secretary of our Bank, as authorized representatives for the purpose of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Hong Kong Stock Exchange. We have provided the Hong Kong Stock Exchange with the contact details of these authorized representatives, and they can be readily contactable to deal promptly with inquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. As and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters, each of these authorized representatives will have the means to contact all of the Directors promptly at all times;

(b) we have implemented such measures that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to these authorized representatives; and (ii) in the event that a Director expects to travel or otherwise be out of the office, he or she will provide the phone number of the place of his or her accommodation to these authorized representatives;

(c) we have provided the Hong Kong Stock Exchange with the contact details of each Director (including their respective mobile phone number, office telephone number, fax number and e-mail address) to facilitate communication with the Hong Kong Stock Exchange. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Hong Kong Stock Exchange within a reasonable period; and

(d) we have appointed a compliance advisor, ABCI Capital Limited, pursuant to Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Hong Kong Stock Exchange, and the representative(s) of the compliance advisor will be fully available to answer inquiries from the Hong Kong Stock Exchange. The compliance advisor will have access at all times to the authorized representatives, the Directors and the other senior management of our Bank to ensure that it is in a position to provide prompt responses to any inquiries or requests from the Hong Kong Stock Exchange in respect of our Bank.

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08(1) of the Listing Rules require that there must be an open market in the securities for which listing is sought and that a sufficient public float of an issuer's listed securities shall be maintained.

We have applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted to us a waiver from strict compliance with Rule 8.08(1) of the Listing Rules that the minimum public float be reduced and the minimum percentage of the H Shares from time to time held by the public to be the highest of:

(a) 15%;

(b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised); or

(c) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option,

given that appropriate disclosure of the lower prescribed percentage of public float and confirmation of sufficiency of public float will be made in successive annual reports after the Listing. In the event that the public float percentage falls below the minimum percentage prescribed by the Hong Kong Stock Exchange, we will take appropriate steps to ensure that the minimum percentage of public float prescribed by the Hong Kong Stock Exchange is complied with.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to Rule 4.04(1) of the Listing Rules, the Accountant's Report contained in this prospectus must include, inter alia, the results of our Bank in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Bank is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Bank during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Bank is required to include in this prospectus a report by our auditor with respect to profits and losses and assets and liabilities of our Bank in respect of each of the three financial years immediately preceding the issue of this prospectus.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The Accountant's Report for each of the three years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015 has been prepared and is set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set forth above, our Bank is required to produce three full years of audited accounts for the years ended December 31, 2013, 2014 and 2015. However, an application was made to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver was granted by the Hong Kong Stock Exchange on the conditions that:

(i) our Bank be listed on the Hong Kong Stock Exchange by March 31, 2016;

(ii) our Bank must obtain a certificate of exemption from the SFC from the requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance; and

(iii) this prospectus must include the financial information for the latest financial year and a commentary on the results for the year. The financial information to be included in the prospectus must (a) follow the same content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) be agreed with the reporting accountant following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption be set forth in this prospectus; and (ii) this prospectus be issued by March 16, 2016.

The applications to Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance were made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the followings:

(i) there would not be sufficient time for our Bank and its reporting accountant to complete the audit work on the full financial information for the year ended December 31, 2015 for inclusion in this document. If the financial information is required to be audited up to December 31, 2015, the Company and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalize the accountant's report and the Prospectus and the relevant sections of the Prospectus will need to be updated to cover such additional period; and

(ii) our Bank is of the view that (a) the accountant's report covering the three years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, together with the unaudited financial information for the latest financial year ended December 31, 2015 and the commentary on the results for the year as set out in Appendix IV to this prospectus already provides potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Bank; and (b) all information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of the Company has been included in the Prospectus.

PUBLICATION OF PRELIMINARY RESULTS

Pursuant to Rule 13.49(1) of the Listing Rules, an issuer is required to publish its preliminary results in respect of each financial year as soon as possible, but in any event not later than three months after the end of the financial year.

Our Bank has included in this prospectus the unaudited financial information and a commentary on the results of our Bank for the year ended December 31, 2015 and Zhejiang T&C Law Firm, our PRC legal adviser, has confirmed that our Bank is not in breach of our Articles of Association, PRC laws and regulations or other regulatory requirements regarding our obligation to publish annual results announcements if we do not publish our preliminary results announcement for the year ended December 31, 2015 in accordance with Rule 13.49(1) of the Listing Rules. Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 13.49(1) of the Listing Rules in respect of the publication of the preliminary results announcement for the year ended December 31, 2015 on such basis.

CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the initial allocation of Offer Shares under the Hong Kong Public Offering shall be 5% of the Global Offering. In the event of over-subscription under the Hong Kong Public Offering, the Joint Global Coordinators shall apply a clawback mechanism, following the closing of the application lists as follows:

i. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 247,500,000 H Shares, representing 7.5% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

ii. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 330,000,000 H Shares, 10% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

iii. if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 660,000,000 H Shares, representing 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate. See "Structure of the Global Offering" in this prospectus for details of the clawback mechanism.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Shen Renkang (沈仁康)	Room 1102, Unit 2 No. 207 Chaohui Road Xiacheng District Hangzhou Zhejiang PRC	Chinese
Mr. Liu Xiaochun (劉曉春)	Room 1002, Unit 1, Shenlan Guangchang Dong No. 205 Chaohui Road Xiacheng District Hangzhou Zhejiang PRC	Chinese
Ms. Zhang Luyun (張魯芸)	Room 1901, Unit 2, Building 6 Caihonghaoting Binjiang District Hangzhou Zhejiang PRC	Chinese
Mr. Xu Renyan (徐仁艷)	Room 202, Unit 1, Building 5 Wushanmingcui Yuan No. 1 Cai Guan Lane Qingbomen Community, Qingbo Street Shangcheng District Hangzhou Zhejiang PRC	Chinese
Non-executive Directors		
Ms. Wang Yibing (汪一兵)	902, Unit 3, Block 3 Zilan Apartment Gongshu District Hangzhou Zhejiang PRC	Chinese
Mr. Wang Mingde (王明德)	Room 1602, Building 16 Heshengguojihuayuan Shuanghuayuan Nanlisanqu Chaoyang District Beijing PRC	Chinese
Ms. Shen Xiaojun (沈小軍)	A8F Wangkeyuan Yuedumingfu Keyan Road, Golf Community Keyan Street Keqiao District Shaoxing Zhejiang PRC	Chinese

Name	Address	Nationality
Ms. Gao Qinhong (高勤紅)	Room 402, Unit 2, Block 8 Danfeng Community Jiuximeiguiyuan No. 20 Wuyun East Road, Xihu District Hangzhou Zhejiang PRC	Chinese
Mr. Hu Tiangao (胡天高)	Building 31, Shijihuayuan Community Jiangbin North Street Dongyang Zhejiang PRC	Chinese
Ms. Lou Ting (樓婷)	Room 405, Unit 3, Block 1 No. 1 Xinmincun Laodong Road Community Qingbo Street Shangcheng District Hangzhou Zhejiang PRC	Chinese
Mr. Wei Dongliang (韋東良)	Room 202, Unit 6 Shimaolijingchengbaoshiyuan No. 156 Tianmushan Road Hangzhou Zhejiang PRC	Chinese
Independent Non-executive Directors		
Mr. Jin Xuejun (金雪軍)	Room 306, Unit 3, Building 54 Qiushicun Xihu District Hangzhou Zhejiang PRC	Chinese
Mr. Tong Benli (童本立)	Room 401, Unit B, Building 19 Dangui Apartment Qin Ya Community, Wenxin Street Xihu District Hangzhou Zhejiang PRC	Chinese
Mr. Yuan Fang (袁放)	Room 502, Unit A, Building 12 Ziguihuayuan Jingzhou Community, Wenxin Street Xihu District Hangzhou Zhejiang PRC	Chinese

Name	Address	Nationality
Mr. Zheng Xinli (鄭新立)	No. 201, Unit 1, Building 9, District 7 No. 15 Wanshou Road A Haidian District Beijing PRC	Chinese
Mr. Dai Deming (戴德明)	Room 12D, Unit 2, Building 2 Landianchangshiyuyuan Haidian District Beijing PRC	Chinese
Mr. Liu Pak Wai (廖柏偉)	Room D, 12F, Block 10, Laguna Verde II 8 Laguna Verde Avenue Hung Hom Kowloon Hong Kong	Chinese (Hong Kong)
Mr. Zheng Jindu (鄭金都)	No. 1051 Xihu Golf Villa No. 200 Zhijiang Road Hangzhou Zhejiang PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Yu Jianqiang (于建強)	Room 601, Unit 2, Building 4 Zhengyuanxiaoqu Fengtan Road Xihu District Hangzhou Zhejiang PRC	Chinese
Mr. Tao Xuegen (陶學根)	Room 102, Unit 1, Building 16 Binjianghuayuan Jiyang Street Zhuji Zhejiang PRC	Chinese
Mr. Zhou Yang (周洋)	Jinke Jia Yuan Yonglizhongyanggongguan Keqiao District Shaoxing Zhejiang PRC	Chinese
Mr. Huang Haibo (黃海波)	Room 1404, Unit 1, Building 17 Wanjiahuacheng Gongshu District Hangzhou Zhejiang PRC	Chinese

Name	Address	Nationality
Mr. Zheng Jianming (鄭建明)	Room 401, Unit 2, Building 2 Ruiqi Apartment No. 425 Moganshan Road Xihu District Hangzhou Zhejiang PRC	Chinese
Mr. Dong Zhoufeng (董舟峰)	Room 602, Unit 3, Building 1 Xingfurenjia Apartment Xinhuafang Community Changqing Street Xiacheng District Hangzhou Zhejiang PRC	Chinese
Mr. Ge Lixin (葛立新)	Room 4-1802 Yujingyuan Nanxiaobu Taipingmen Zhi Road Jianggan District Hangzhou Zhejiang PRC	Chinese
Mr. Zhang Rulong (張汝龍)	Room 102, Building 11 Hualongbishuihaoyuan Nanhuan Road Binjiang District Hangzhou Zhejiang PRC	Chinese
Mr. Jiang Zhihua (蔣志華)	Room 501, Unit 3, Building 9 Fulixincun Meihuabei Community Xiaoying Street Shangcheng District Hangzhou Zhejiang PRC	Chinese
Mr. Yuan Xiaoqiang (袁小強)	Room 502, Unit 1, Building 3 Qingjianghuayuan No. 188 Qingjiang Road Shangcheng District Hangzhou Zhejiang PRC	Chinese
Mr. Huang Zuhui (黃祖輝)	Room 701, Unit 1, Building 63 Huajiachi Campus, Zhejiang University No. 258 Kaixuan Road Jianggan District Hangzhou Zhejiang PRC	Chinese
Mr. Wang Jun (王軍)	Room 10D, Unit 3, Building 7 Guanshanyuan Shijicheng Haidian District Beijing PRC	Chinese

For more information on our Directors and Supervisors, see "Directors, Supervisors and Senior Management".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	CITIC CLSA Capital Markets Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	ABCI Capital Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Joint Global Coordinators	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
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	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
Joint Bookrunners	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
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	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	ABCI Capital Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
	Haitong International Securities Company Limited 22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
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BOCI Asia Limited
26/F, Bank of China Tower
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Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Legal Advisors to our Bank	*As to Hong Kong and United States Law* Freshfields Bruckhaus Deringer 11th Floor Two Exchange Square Central Hong Kong *As to PRC Law* Zhejiang T&C Law Firm 11/F, Building A, Dragon Century Plaza, No. 1 Hangda Road Hangzhou PRC
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States Law* Jones Day 31st Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC Law* King & Wood Mallesons 40th Floor, Tower A Beijing Fortune Plaza 7 Dongsanhuan Zhonglu Chaoyang District Beijing PRC

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Compliance advisor	ABCI Capital Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Receiving banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong Wing Lung Bank Limited 45 Des Voeux Road Central Central Hong Kong

Registered office	No. 288, Qingchun Road Hangzhou Zhejiang PRC
Headquarter in PRC	No. 288, Qingchun Road Hangzhou Zhejiang PRC
Principal Place of Business in Hong Kong	18/F Tesbury Center 28 Queen's Road East Wanchai Hong Kong
Bank's website	**www.czbank.com** (*This website and the information contained on this website do not form part of this prospectus*)
Joint company secretaries	Mr. Liu Long Room 401, Unit 3, Building 30 Waidongshan Lane Lingyin Street Xihu District Hangzhou Zhejiang PRC Mr. Wong Yat Tung (*ACIS, ACS*) 18/F Tesbury Center 28 Queen's Road East Wanchai Hong Kong
Authorized representatives	Mr. Xu Renyan Room 202, Unit 1, Building 5 Wushanmingcui Yuan No. 1 Cai Guan Lane Qingbomen Community Qingbo Street Shangcheng District Hangzhou Zhejiang PRC

	Mr. Liu Long Room 401, Unit 3, Building 30 Waidongshan Lane Lingyin Street Xihu District Hangzhou Zhejiang PRC
Strategic Committee	Mr. Shen Renkang (*Chairman*) Mr. Liu Xiaochun (*Vice Chairman*) Mr. Wang Mingde (*Vice Chairman*) Mr. Zheng Xinli Mr. Dai Deming Mr. Liu Pak Wai Ms. Lou Ting
Audit Committee	Mr. Jin Xuejun (*Chairman*) Mr. Tong Benli Mr. Yuan Fang Ms. Shen Xiaojun Mr. Hu Tiangao
Risk and Related Party Transaction Control Committee	Mr. Yuan Fang (*Chairman*) Mr. Tong Benli Ms. Gao Qinhong
Nomination and Remuneration Committee	Mr. Tong Benli (*Chairman*) Mr. Jin Xuejun Mr. Zheng Jindu
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

This section contains information and statistics on the industry in which our Bank operates. We have extracted and derived such information and statistics, in part, from statistics relating to our Bank prepared in accordance with IFRS, and, in part, from various official or publicly available sources where such information and statistics were derived from data prepared in accordance with PRC GAAP or other applicable GAAP or accounting standards that may differ from IFRS in certain significant respects.

We believe that the sources of such information and statistics are appropriate and we have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics have not been independently verified by us, the Joint Sponsors, the Underwriters or any other party involved in the Global Offering and no representation is given as to their accuracy. Accordingly, such information and statistics should not be unduly relied on.

OVERVIEW

China's Economy

Benefiting from the extensive economic reform implemented by the PRC government, China's economy achieved significant growth over the past three decades. China became the world's second largest economy in 2010, which ranked only second to the U.S. Moreover, the market potential is further enhanced as the PRC government streamlined administration, promoted decentralization and loosened governmental restrictions. After a rapid growth over the past three decades, China's economy has entered a "new normal" stage; while the economic growth slows down, the economic structure continues to be optimized and upgraded, and the tertiary industry and consumer demands further drive the economic growth. At the same time, China's economy is also changing gradually from production- and investment-driven to innovation-driven.

Under the "new normal", the PRC government has attached greater importance to promoting cooperation with different countries and regions. The expansion of China's free trade zones, represented by Shanghai Free Trade Zone (自貿區), is the new driver behind the regional economic development. The PRC government is further opening up the market through the establishment of the New Silk Road Economic Belt (新絲綢之路經濟帶), linking China and Europe through Middle Asia and West Asia, and the 21st Century Maritime Silk Road (海上絲綢之路), linking China, Southeast Asia, Africa and Europe. This strategy will further provide new drivers for China's economic development in the future. The Beijing-Tianjin-Hebei region's coordinated development, the Yangtze River Delta Economic Zone, and the Pan-Pearl River Delta Regional Cooperation would also lay a solid foundation for the sustainable economic development in China. The "new normal" will provide new growth opportunities for development of China's capital market.

According to the data from the NBS, the nominal GDP of China increased from RMB40.89 trillion in 2010 to RMB63.65 trillion in 2014, with a CAGR of 11.7%. Leveraging from the national economic growth, per capita national disposable income also increased. From 2010 to 2014, per capita disposable income of urban households in China increased from RMB19,109 to RMB28,844, at a

CAGR of 10.8%. The table below sets forth China's annual nominal GDP, per capita GDP, per capita disposable income of urban households, fixed assets investment and total value of imports and exports of goods for the years indicated.

	For the Year ended December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Nominal GDP (RMB billion)	40,890	48,412	53,412	58,802	63,646	11.7%
Per capita GDP (RMB)	30,567	36,018	39,544	43,320	46,652	11.2%
Per capita disposable income of urban households (RMB)	19,109	21,810	24,565	26,955	28,844	10.8%
Fixed assets investment (RMB billion)	25,168	31,149	37,469	44,629	51,276	19.5%
Total value of imports and exports of goods (USD billion)	2,974	3,642	3,867	4,159	4,303	9.7%

Source: The NBS

The PRC banking industry experienced rapid development as a result of high-speed growth of China's economy. According to statistics of the PBOC, the total RMB-denominated deposits of financial institutions in China increased from RMB71.82 trillion as of December 31, 2010 to RMB113.86 trillion as of December 31, 2014 at a CAGR of 12.2%. The year-on-year growth rates of the total RMB-denominated deposits from December 31, 2011 to December 31, 2014 were 12.7%, 13.4%, 13.8% and 9.1% respectively. From December 31, 2010 to December 31, 2014, the total RMB-denominated loans increased from RMB47.92 trillion to RMB81.68 trillion at a CAGR of 14.3%. The year-on-year growth rates of total RMB-denominated loans from December 31, 2011 to December 31, 2014 were 14.4%, 15.0%, 14.1% and 13.6% respectively. The table below sets forth the total RMB- and foreign currency-denominated loans and deposits at financial institutions in China as of the dates indicated.

	As of December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Total RMB-denominated loans (RMB billion)	47,920	54,795	62,991	71,896	81,677	14.3%
Total RMB-denominated deposits (RMB billion)	71,824	80,937	91,755	104,385	113,864	12.2%
Total foreign currency-denominated loans (USD billion)	453	539	684	777	835	16.5%
Total foreign currency-denominated deposits (USD billion)	229	275	406	439	573	25.8%

Source: The PBOC

Economy of Zhejiang

Located in the south of the Yangtze River Delta Area, China's South-East coastal areas, Zhejiang borders on the East China Sea in the east, Fujian in the south, Jiangxi and Anhui in the west, and Shanghai and Jiangsu in the north. The Yangtze River Delta Regional Plan (《長江三角洲地區區域規劃》), approved and implemented by the State Council in 2010, confirmed the strategic importance of developing the Yangtze River Delta Area as a key center of service industry that would improve the development of the Yangtze River Delta Area, and facilitate the all-round, coordinated and sustainable development of the Yangtze River basin area and even China as a whole. The Yangtze River Delta Regional Plan also indicated that to become one of the most dynamic competitive world-class city clusters in China, the Yangtze River Delta Regional Plan shall also accelerate the development of the financial services industry, improve the internationalization level of regional centers, like Hangzhou, and accelerate the progress of modernization and integration. As a key pillar in the Yangtze River Delta Area, Zhejiang has always been one of the most economically dynamic provinces in China. Leveraging from the Yangtze River Delta Regional Plan, the regional economic integration and the PRC government's policy support for the development of such sectors as modern service industry, Zhejiang has recently experienced rapid economic growth and realized significant achievements. From 2010 to 2014, the nominal GDP of Zhejiang increased from RMB2,772 billion to RMB4,015 billion at a CAGR of 9.7%, which ranked fourth in the nation for five consecutive years. The per capita disposable income of urban households in Zhejiang ranked first for five consecutive years nationally (excluding the provincial level municipalities), which has created a sound market environment for the development of financial service.

The table below sets forth the nominal GDP, per capita GDP, per capita disposable income of urban households, fixed assets investment and total value of imports and exports of goods in Zhejiang for the years indicated.

	For the Year ended December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Nominal GDP (RMB billion)	2,772	3,232	3,461	3,776	4,015	9.7%
Per capita GDP (RMB)	51,711	59,249	63,374	68,805	72,967	9.0%
Per capita disposable income of urban households (RMB)	27,359	30,971	34,550	37,851	40,393	10.2%
Fixed assets investment (RMB billion)	1,145	1,408	1,710	2,019	2,356	19.8%
Total value of imports and exports of goods (USD billion)	254	309	312	336	355	8.7%

Source: The NBS and Zhejiang Provincial Bureau of Statistics

Private-sector economy is well developed in Zhejiang. A majority of private enterprises in Zhejiang are small and micro enterprises, which are also the source of vitality of Zhejiang's economy. They play a vital role in enhancing the regional economic competitiveness. As of December 31, 2014, the total loan balance of small and micro enterprises in Zhejiang amounted to RMB2,597 billion, accounting for more than 10% of the total loan balance of small and micro enterprises in China, which amounted to RMB20,701 billion.

In 2015, the government of Zhejiang promulgated the Three-year Growth Plan of Zhejiang Province for Small and Micro Enterprises (2015-2017) (《浙江省"小微企業三年成長計劃"(2015-2017)年)》) with a view to improve the sustainable and healthy development of small and micro enterprises, facilitate the transformation, upgrade and improve the quality and effectiveness of Zhejiang's economy. According to this plan, Zhejiang aims to realize an increase of 100,000 small and micro enterprises in seven major industries by 2017. From January 1, 2015 to December 31, 2017, if the annual taxable income of a small and low-profit enterprise is lower than RMB200,000 (inclusive), its taxable income is collected on the basis of 50% of its income and its corporate income tax is levied at a rate of 20%. We believe that this measure will strongly facilitate the development of small and micro enterprises in Zhejiang.

The banking industry in Zhejiang has grown rapidly along with the growth of Zhejiang's economy. According to the statistics of Hangzhou Central Branch of the PBOC, as of December 31, 2014, the total RMB-denominated deposits of financial institutions in Zhejiang reached RMB7,715 billion, representing an increase of 7.2% compared with that of December 31, 2013. The total

RMB-denominated loans reached RMB6,857 billion, increased by 9.5% compared with that of December 31, 2013. The table below sets forth the total RMB- and foreign currency-denominated loans and deposits at financial institutions in Zhejiang as of the dates indicated.

	As of December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Total RMB-denominated loans (RMB billion)	4,529	5,128	5,698	6,260	6,857	10.9%
Total RMB-denominated deposits (RMB billion)	5,344	5,973	6,489	7,199	7,715	9.6%
Total foreign currency-denominated loans (USD billion)	25	31	40	45	46	16.4%
Total foreign currency-denominated deposits (USD billion)	16	18	29	29	34	21.6%

Source: Hangzhou Central Branch of the PBOC

Economy of Eastern China, Northern China and Western China

Eastern China

From 2010 to 2014, the nominal GDP of Eastern China (including Zhejiang, Jiangsu and Shanghai) increased from RMB8,631 billion to RMB12,880 billion at a CAGR of 10.5%. The table below sets forth the nominal GDP, fixed assets investment and total value of imports and exports of goods in Eastern China for the years indicated.

	For the Year Ended December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Nominal GDP (RMB billion)	8,631	10,062	10,885	11,933	12,880	10.5%
Fixed assets investment (RMB billion)	3,975	4,573	5,307	6,222	7,151	15.8%
Total value of imports and exports of goods (USD billion)	1,089	1,287	1,297	1,328	1,385	6.2%

Source: The NBS, Zhejiang Provincial Bureau of Statistics, Jiangsu Provincial Bureau of Statistics and Shanghai Bureau of Statistics

According to the statistics of Hangzhou Central Branch, Nanjing Branch and Shanghai Head Office of the PBOC, as of December 31, 2014, the total RMB-denominated deposits of financial institutions in Eastern China reached RMB24,043 billion, representing an increase of 8.0% compared with that of December 31, 2013. The total RMB-denominated loans in Eastern China reached RMB18,137 billion, representing an increase of 10.5% compared with that of December 31, 2013. The table below sets forth the total RMB- and foreign currency-denominated loans and deposits at financial institutions in Eastern China as of the dates indicated.

	As of December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Total RMB-denominated loans (RMB billion)	11,798	13,251	14,788	16,418	18,137	11.3%
Total RMB-denominated deposits (RMB billion)	16,227	18,072	20,026	22,263	24,043	10.3%
Total foreign currency-denominated loans (USD billion)	109	130	163	171	170	11.7%
Total foreign currency-denominated deposits (USD billion)	75	95	129	142	157	20.2%

Source: Hangzhou Central Branch, Nanjing Branch and Shanghai Head Office of the PBOC

Northern China

From 2010 to 2014, the nominal GDP of Northern China (including Beijing, Tianjin, Shandong and Liaoning) increased from RMB8,097 billion to RMB12,511 billion at a CAGR of 11.5%. The table below sets forth the nominal GDP, fixed assets investment and total value of imports and exports of goods in Northern China for the years indicated.

	For the Year Ended December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Nominal GDP (RMB billion)	8,097	9,515	10,563	11,669	12,511	11.5%
Fixed assets investment (RMB billion)	5,100	5,712	6,714	7,787	8,467	13.5%
Total value of imports and exports of goods (USD billion)	653	825	873	940	941	9.5%

Source: The NBS, Beijing Bureau of Statistics. Tianjin Bureau of Statistics, Shandong Provincial Bureau of Statistics and Liaoning Provincial Bureau of Statistics

According to the statistics of Beijing Operation Management Department, Tianjin Branch, Jinan Branch and Shenyang Branch of the PBOC, as of December 31, 2014, the total RMB-denominated deposits of financial institutions in Northern China reached RMB22,796 billion, representing an increase of 7.8% compared with that of December 31, 2013. The total RMB-denominated loans in Northern China reached RMB14,848 billion, representing an increase of 11.9% compared with that of December 31, 2013. The table below sets forth the total RMB- and foreign currency-denominated loans and deposits at financial institutions in Northern China as of the dates indicated.

	As of December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Total RMB-denominated loans (RMB billion)	9,209	10,541	11,859	13,267	14,848	12.7%
Total RMB-denominated deposits (RMB billion)	14,907	16,641	18,993	21,142	22,796	11.2%
Total foreign currency-denominated loans (USD billion)	156	167	194	225	246	12.1%
Total foreign currency-denominated deposits (USD billion)	56	63	94	104	133	24.0%

Source: Beijing Operation Management Department, Tianjin Branch, Jinan Branch and Shenyang Branch of the PBOC

Western China

From 2010 to 2014, the nominal GDP of Western China (including Sichuan, Shaanxi, Gansu and Chongqing) increased from RMB3,936 billion to RMB6,733 billion at a CAGR of 14.4%. The table below sets forth the nominal GDP, fixed assets investment and total value of imports and exports of goods in Western China for the years indicated.

	For the Year Ended December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Nominal GDP (RMB billion)	3,936	4857	5,539	6,171	6,733	14.4%
Fixed assets investment (RMB billion)	3,093	3,509	4,297	5,217	6,068	18.3%
Total value of imports and exports of goods (USD billion)	3,027	3,728	3,988	4,304	4,438	10.0%

Source: The NBS, Sichuan Provincial Bureau of Statistics, Shaanxi Provincial Bureau of Statistics, Gansu Provincial Bureau of Statistics and Chongqing Bureau of Statistics

According to the statistics of Chengdu Branch, Xi'an Branch, Lanzhou Central Branch and Chongqing Operation Management Department of the PBOC, as of December 31, 2014, the total RMB-denominated deposits of financial institutions in Western China reached RMB11,982 billion, representing an increase of 11.5% compared with that of December 31, 2013. The total RMB-denominated loans in Western China reached RMB8,341 billion, representing an increase of 16.5% compared with that of December 31, 2013. The table below sets forth the total RMB- and foreign currency-denominated loans and deposits at financial institutions in Western China as of the dates indicated.

	As of December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
Total RMB-denominated loans (RMB billion)	4,448	5,237	6,139	7,157	8,341	17.0%
Total RMB-denominated deposits (RMB billion)	6,733	7,819	9,276	10,748	11,982	15.5%
Total foreign currency-denominated loans (USD billion)	12	19	27	34	36	31.5%
Total foreign currency-denominated deposits (USD billion)	8	11	19	20	25	32.9%

Source: Chengdu Branch, Xi'an Branch, Lanzhou Central Branch and Chongqing Operation Management Department of the PBOC

History and Development of the PRC Banking Industry

From 1949 to the 1970s, the PBOC was not only the central bank of China, but also engaged in commercial banking businesses such as deposits, loans and settlement. Since the late 1970s, the banking industry, as part of China's economic reform, underwent major transformations, and the four major commercial banks have played the role of state-owned commercial banks. The State Council officially authorized the PBOC to perform the functions as the central bank of China and the main regulatory organ of the PRC banking industry. To begin with, the State Council granted limited autonomy to four major commercial banks for commercial operations. In line with the progress of China's economic reform, however, the State Council further loosened the restrictions on the four major commercial banks' business scopes. In the middle 1980s, a number of new commercial banks and non-banking financial institutions were established. Some of them were approved to conduct commercial banking business nationwide; other commercial banks were allowed to conduct operations in the local market only. During this period, however, China's banking system was severely restricted by the governmental development plans and policies, and these banks failed to realize independent and commercialized operations.

In the middle 1990s, the PRC government accelerated the economic reform and began to encourage the four major commercial banks to deepen their commercialized operations. In 1994, the PRC government set up three policy banks—China Development Bank, Export-Import Bank of China, and Agricultural Development Bank of China—which performed the functions as significant instruments of policy-based lending that were previously conducted by the four major commercial banks. Subsequently, the four major commercial banks transformed towards the direction of being state-owned commercial banks. In 1995, the Commercial Banks Law of the People's Republic of China and the PRC PBOC Law were promulgated, which further delineated the scope of business for commercial banks and the functions and powers of the PBOC as the central bank of China and the regulatory organization in the PRC banking industry. In 2003, the CBRC was established. It undertook a large part of the supervision and regulation functions of the PBOC and became the main regulatory organization in the banking industry.

Due to historical reasons, the PRC banking industry had been burdened with a large amount of non-performing loans. Since the late 1990s, the PRC government had adopted a number of measures to improve the asset quality of PRC commercial banks and replenish their capital base, including issuances of special government bonds, purchases of non-performing loans and capital injections. With the rapid growth of China's economy and the implementation of the aforesaid measures, the asset quality of large PRC commercial banks improved considerably and laid a foundation for the future growth of the PRC banking industry. Moreover, upon completion of writing off non-performing loans and various capital injections of Central Huijin Investment Co,. Ltd., the Bank of Communications, China Construction Bank, Bank of China, Industrial and Commercial Bank of China and the Agricultural Bank of China were successfully listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Meanwhile, many nationwide joint-stock commercial banks improved their asset quality and reduced their non-performing loan ratio using their own resources with reference to the international standards and methods. Many nationwide joint-stock commercial banks improved their asset quality by tightening their credit risk management and writing off non-performing loans. Moreover, in order to enhance their capital strength, many PRC commercial banks have been listed on the PRC and overseas stock markets over the past decade.

COMPETITIVE LANDSCAPE

Current Competition in the PRC Banking Industry

The banking institutions in the PRC banking industry fall into six major categories: Large Commercial Banks, nationwide joint-stock commercial banks, city commercial banks, rural financial institutions, foreign financial institutions and other banking institutions. The table below sets forth the number, total assets, shareholders' equity and net profit of various types of banking institutions in China as of the date and for the period indicated.

	As of December 31, 2014					For the year ended December 31, 2014	
	Number of legal entity institutions	Total assets		Shareholders' equity		Net profit	
		Total amount	Market share	Total amount	Market share	Total amount	Market share
	(RMB billion, except the number of institutions and percentage)						
Large Commercial Banks	5	71,014	41.2%	5,301	43.1%	890	46.2%
Nationwide joint-stock commercial banks	12	31,380	18.2%	1,916	15.6%	321	16.7%
City commercial banks	133	18,084	10.5%	1,247	10.1%	186	9.6%
Rural financial institutions(1)	2,350	21,316	12.4%	1,520	12.3%	234	12.1%
Foreign financial institutions(2)	41	2,792	1.6%	309	2.5%	20	1.0%
Other banking institutions(3)	1,548	27,750	16.1%	2,020	16.4%	277	14.4%
Total	4,089	172,336	100%	12,313	100%	1,928	100%

Source: The CBRC

(1) Including rural credit cooperatives, rural commercial banks and rural cooperative banks.

(2) Including branches of foreign banks, wholly foreign-owned banks, Sino-foreign joint venture banks, wholly foreign financial companies and their branches and subsidiaries.

(3) Including policy banks (including China Development Bank, the Export-Import Bank of China and Agricultural Development Bank), Postal Savings Bank of China, new-type rural financial institutions (including rural banks, finance companies and rural mutual aid societies for fund) and non-banking institutions (including financial companies under corporate groups, consumer financial companies, trust companies, financial leasing companies, money brokerage firms, auto financing companies, Sino-German Bausparkasse and financial assets management company).

Nationwide Joint-stock Commercial Banks

As of December 31, 2014, there were total 12 nationwide joint-stock commercial banks in China, which are approved to engage in the business of commercial banks nationwide. Their importance in the PRC banking industry is growing. A majority of nationwide joint-stock commercial banks were founded in the late 1980s or the early 1990s, and their market share is gradually expanding. As of September 30, 2015, of the 12 nationwide joint-stock commercial banks, four were listed on both Shanghai Stock Exchange and Hong Kong Stock Exchange, three were listed only on Shanghai Stock Exchange, and one was listed only on Shenzhen Stock Exchange.

The table below sets forth the total assets, total deposits and total loans of the nationwide joint-stock commercial banks as of the date indicated.

	As of December 31, 2014					
	Total assets		Total deposits		Total loans	
	Total amount	Market share	Total amount	Market share	Total amount	Market share
	(RMB billion, except percentage)					
China Merchants Bank Co., Ltd.	4,732	14.7%	3,304	16.1%	2,514	16.9%
Industrial Bank Co., Ltd.	4,406	13.7%	2,268	11.1%	1,593	10.7%
Shanghai Pudong Development Bank Co., Ltd.	4,196	13.1%	2,724	13.3%	2,028	13.6%
China CITIC Bank Corporation Limited	4,139	12.9%	2,850	13.9%	2,188	14.7%
China Minsheng Bank Corp., Ltd.	4,015	12.5%	2,434	11.9%	1,813	12.2%
China Everbright Bank Co., Ltd.	2,737	8.5%	1,785	8.7%	1,299	8.7%
Ping An Bank Co., Ltd.	2,186	6.8%	1,533	7.5%	1,025	6.9%
Hua Xia Bank Co., Limited	1,852	5.8%	1,303	6.4%	940	6.3%
China Guangfa Bank Co., Ltd.	1,648	5.1%	1,090	5.3%	791	5.3%
Evergrowing Bank Co., Ltd.	849	2.7%	477	2.3%	239	1.6%
Our Bank	**670**	**2.1%**	**363**	**1.8%**	**259**	**1.7%**
China Bohai Bank Co., Ltd.	667	2.1%	355	1.7%	205	1.4%
Total	**32,097**	**100%**	**20,486**	**100%**	**14,894**	**100%**

Source: 2014 annual reports of the banks (according to PRC GAAP)

City Commercial Banks

City commercial banks are banks with branches at the municipal or higher levels, created under the PRC Company Law and the PRC Commercial Banking Law from predecessor urban credit cooperatives with the approval of the CBRC. In 1995, the State Council decided to restructure urban credit cooperatives into city cooperative banks, renamed as city commercial banks in 1998. According to the CBRC's 2014 Annual Report, as of December 31, 2014, there were 133 city commercial banks in China. City commercial banks have played active roles in maintaining regional financial stability, promoting market competition, facilitating access to financial services, and easing funding pressures for SMEs. According to the CBRC, the total assets of city commercial banks as a percentage of total assets of the banking industry in China increased from 8.3%, or RMB7,855 billion, at December 31, 2010 to 10.5%, or RMB18,084 billion, at December 31, 2014, representing a CAGR of 23.2%.

The table below sets forth the total assets, shareholders' equity and net profit of the city commercial banks in the PRC as of the dates and for the years indicated.

	As of December 31, / For the year ended December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
	(RMB billion, except percentage)					
Total assets	7,855	9,988	12,347	15,178	18,084	23.2%
Shareholders' equity	482	665	808	997	1,247	26.8%
Net profit	77	108	137	164	186	24.7%

Source: the CBRC

The Competitive Landscape of the Banking Industry in Zhejiang

The table below sets forth the total assets, total deposits, total loans and relevant market share data of various types of banking institutions in Zhejiang as of the date indicated.

	As of December 31, 2014						
		Total assets		Total deposits		Total loans	
	Number of institutions[(1)]	Total amount	Market share	Total amount	Market share	Total amount	Market share
	(RMB billion, except the number of institutions and percentage)						
Large Commercial Banks	5	3,945	37.3%	3,453	44.7%	3,236	45.3%
Nationwide joint-stock commercial banks (excluding the head office of our Bank)	12	2,247	21.3%	1,598	20.7%	1,427	20.0%
City commercial banks	13	1,701	16.1%	931	12.0%	737	10.3%
Rural financial institutions	162	1,711	16.2%	1,359	17.6%	987	13.8%
Foreign financial institutions	17	44	0.4%	33	0.4%	29	0.4%
Other banking institutions	16	917	8.7%	356	4.6%	720	10.1%
Total	225	10,565	100%	7,730	100%	7,136	100%

Source: The CBRC Zhejiang Office

(1) Including city commercial banks and rural financial institutions incorporated in Zhejiang and Large Commercial Banks, nationwide joint-stock commercial banks, foreign financial institutions and other banking institutions incorporated or had branches in Zhejiang.

According to the CBRC Zhejiang Office, as of December 31, 2014, the total assets, total loans and total deposits of our Bank in Zhejiang were RMB487 billion, RMB119 billion and RMB123 billion, respectively, accounting for 4.5%, 1.7% and 1.6% of total assets, total loans and total deposits of banking institutions in Zhejiang.

The Competitive Landscape of the Banking Industry in Eastern China, Northern China and Western China

Eastern China

The table below sets forth the number of outlets, the number of practitioners and total assets of various types of banking institutions in Eastern China as of the date indicated.

	As of December 31, 2014			
			Total Assets	
	Number of outlets	Number of Practitioners (person)	Total amount (RMB billion)	Market share (%)
Large Commercial Banks	10,506	254,366	13,108	38.5%
Nationwide joint-stock commercial banks	2,726	103,665	7,180	21.1%
City commercial banks	2,218	75,420	5,077	14.9%
Rural financial institutions	8,452	119,888	3,948	11.6%
Foreign financial institutions	332	23,982	1,470	4.3%
Other banking institutions	4,911	35,236	3,259	9.6%
Total	29,145	612,557	34,041	100%

Source: Regional Financial Operation Reports of the PBOC

(1) Statistics above excluding data of head offices of policy banks, Large Commercial Banks and nationwide joint-stock commercial banks.

Northern China

The table below sets forth the number of outlets, the number of practitioners and total assets of various types of banking institutions in Northern China as of the date indicated.

	As of December 31, 2014			
			Total Assets	
	Number of outlets	Number of Practitioners (person)	Total amount (RMB billion)	Market share (%)
Large Commercial Banks	10,567	261,686	13,378	38.0%
Nationwide joint-stock commercial banks	2,501	71,111	7,487	21.3%
City commercial banks	2,722	69,278	4,952	14.1%
Rural financial institutions	8,853	129,166	2,965	8.4%
Foreign financial institutions	255	12,442	507	1.4%
Other banking institutions	6,052	50,326	5,929	16.8%
Total	30,950	594,009	35,218	100%

Source: Regional Financial Operation Reports of the PBOC

(1) Statistics above excluding data of head offices of policy banks, Large Commercial Banks and nationwide joint-stock commercial banks.

Western China

The table below sets forth the number of outlets, the number of practitioners and total assets of various types of banking institutions in Western China as of the date indicated.

	As of December 31, 2014			
			Total Assets	
	Number of outlets	Number of Practitioners (person)	Total amount (RMB billion)	Market Share (%)
Large Commercial Banks	7,969	193,930	5,711	35.7%
Nationwide joint-stock commercial banks	991	29,731	2,363	14.8%
City commercial banks	1,517	38,888	2,105	13.2%
Rural financial institutions	13,004	132,605	3,208	20.0%
Foreign financial institutions	70	2,248	69	0.4%
Other banking institutions	7,058	55,320	2,543	15.9%
Total	30,609	452,722	15,999	100%

Source: Regional Financial Operation Reports of the PBOC.
(1) Statistics above excluding data of head offices of policy banks, Large Commercial Banks and nationwide joint-stock commercial banks.

DEVELOPMENT TREND OF THE PRC BANKING INDUSTRY

Increasing Proportion of Nationwide Joint-stock Commercial Bank

Due to historical reasons, Large Commercial Banks hold a large proportion of total assets of the PRC banking institutions. However, in recent years, nationwide joint-stock commercial banks have increased their market shares, and the proportion of total assets of nationwide joint-stock commercial banks to China banking institutions increased from 15.8% as of December 31, 2010 to 18.2% as of December 31, 2014. Nationwide joint-stock commercial banks usually operate in more developed regions, and obtain market share through offering innovative products and high-quality customer services. Our Bank believes that compared with Large Commercial Banks, nationwide joint-stock commercial banks can better adapt to the changing market conditions and meet customers' requirements; compared with other regional financial institutions, nationwide joint-stock commercial banks have certain competitive strengths, such as nation-wide sales network, larger capital base, more resources, diversified products and services, and advanced technical infrastructure. Our Bank estimates that these nationwide joint-stock commercial banks will continue to expand their market share.

The table below sets forth the market share data of total assets of various banking institutions in China as of the dates indicated.

	As of December 31,				
	2010	2011	2012	2013	2014
Large Commercial Banks	48.7%	47.3%	44.9%	43.4%	41.2%
Nationwide joint-stock commercial banks	15.8%	16.2%	17.6%	17.8%	18.2%
City commercial banks	8.3%	8.8%	9.3%	10.0%	10.5%
Other financial institutions	27.2%	27.6%	28.2%	28.8%	30.1%
Total	100%	100%	100%	100%	100%

Source: The CBRC

Interest Rate Liberalization

Historically, interest rates on loans and deposits were set by the PBOC, and PRC commercial banks were subject to those restrictions. In recent years, as part of the overall reform of the banking system, the PBOC has implemented a series of initiatives designed to gradually liberalize interest rates and promote a more market-oriented interest rate regime. To further the reform of interest rate liberalization, the PBOC gradually relaxed restrictions on the lending rates and broadened floating range of deposits interest rates. On October 28, 2004, the PBOC decided to remove the cap for interest rates on RMB-denominated loans of financial institutions (excluding urban and rural credit cooperatives). On June 8, 2012 and July 6, 2012, benchmark interest rates for RMB-denominated deposits and loans and their rates floating ranges were adjusted twice, with floor and upper limit of floating ranges of interest rates on RMB-denominated loans and deposits of Chinese financial institutions adjusted into 0.7 times and 1.1 times of the upper limit of PBOC interest rates, respectively. On July 20, 2013, the PBOC announced that banking institutions in China were no longer required to have their interest rates on RMB-denominated loans met the lower limit of 0.7 times of PBOC benchmark interest rates, and could set the interest rates level on loans at their own discretion (the interests rate floating range of personal residential mortgage loans remained unchanged and was still subject to the lower limit of 0.7 times of benchmark interest rates and the original housing credit policy; for families who bought a second-home by loan, the upper limit of lending interest rate was 1.1 times of benchmark interest rates). On October 25, 2013, the PBOC announced the official operation of Loan Prime Rate ("LPR") collective quotation and releasing mechanism. The first nine quoting banks, including Large Commercial Banks, will release LPR quotations on each business day, quoting the LPR applicable to its high-grade clients. Designated to release LPR, the National Inter-bank Funding Centre will release LPR quotation average rates of quoting banks after eliminating highest and lowest quotations, and calculating the weighted average of remaining quotations. In the preliminary period of operation, the mechanism published its one-year LPR. Official operation of new mechanism of LPR was expected to realize a smooth transfer for the pricing benchmark from being determined by the PBOC to being determined by the market, laying regime foundation for promoting interest rate liberalization. Interest rate liberalization in China went further along with the implementation of Regulation on Deposit Insurance on May 1, 2015 and Interim Measures for Administration of Large-denomination Deposit Certificates on June 2, 2015.

On May 11, 2015, combined with the reform of interest rate liberalization, the PBOC increased the upper limit of floating RMB-denominated deposit rates of financial institutions from 1.3 times to 1.5 times of benchmark deposits rates. The floating cap for RMB-denominated time deposits with term of over one year (excluding of one year) in PRC commercial banks was removed since August 26, 2015, and the upper limit of floating RMB-denominated deposit rates of commercial banks and rural cooperative commercial institutions was removed since October 24, 2015. Accordingly, interest rates on RMB-denominated deposits could be determined by commercial banks and rural cooperative commercial institutions with reference to the benchmark deposit rates at their own discretion. Relaxing the rate floating range was an important step towards interest rate liberalization and financial reform, meaning that interest rate liberalization is accelerating.

On October 24, 2015, the PBOC lowered the RMB deposit reserve requirement ratio for financial institutions by 0.5 percentage points. In order to encourage financial support for agriculture, rural areas and farmers or small and micro enterprises, for financial institutions that satisfy relevant requirements, the RMB deposit reserve ratio was further lowered by 0.5 percentage points. On

March 1, 2016, the PBOC further lowered the RMB deposit reserve requirement ratio for financial institutions by 0.5 percentage points.

From March 2015 to October 2015, the PBOC lowered the benchmark interest rates on RMB-denominated loans and deposits for five times. Effective from October 24, 2015, the benchmark interest rates on RMB-denominated one-year loans and deposits of financial institutions are 4.35% and 1.50%, respectively.

In addition, the inter-bank rates have been liberalized. Since its establishment in January 2007, SHIBOR has become an important reference in the inter-bank market. Although continuous interest rate liberalization may intensify the price competition among banks in China, it may also encourage commercial banks to develop more innovative products and services besides adopting risk-based pricing.

Transformation of Commercial Banks

In recent years, there has been a trend of financial disintermediation, which will gradually transform the traditional business mode of commercial banks. Investors transfer assets from financial intermediation, such as savings and deposit banks, to direct investment. Such trend affected the deposit level of commercial banks and the funds available for loan business to generate interests. In addition, financial disintermediation may also result in less loan demand from enterprises (especially large enterprises). Financial disintermediation has prompted commercial banks in China to transform, strengthen the diversity of financial products and services. New-type financing business that supports financial market and transaction, such as inter-bank deposit, large deposit business of enterprises and institutions, securities margin trading and collateral loans encounters new development opportunities; various opportunities will also become available to payment settlement business, agency sales and custody.

Strengthened Regulation and Supervision

China's banking regulatory authority is establishing prudent regulation framework, and steadily advancing reforms in the financial industry of the PRC in the aspects of corporate governance, internal control, compliance and risk management. In addition, China's banking regulatory authority has implemented regulations to reinforce information disclosure requirements as well as its coordination and cooperation with domestic and overseas regulatory authorities.

Since 2008, against the backdrop of international financial crisis, the CBRC and other regulatory authorities have promulgated regulatory measures aimed at strengthening the regulation of the banking industry, which mainly include:

- Prudent supervision: the CBRC has introduced a series of regulations to direct commercial banks to further improve their risk management system, and to implement prudent measures for avoiding high-risk markets and industries. Such regulations cover extensive potential risks such as credit risk, market risk, operational risk and liquidity risk. As a part of prudent supervision, the CBRC promulgated a series of measures and guidance in accordance with the development of Basel Accords, so as to strengthen the capital management capacity of commercial banks, including the disclosure of information about capital adequacy ratio and leverage ratio, and the methods of capital measurement and risk exposure calculation. In addition, the PBOC issued various policies to improve the effectiveness of capital supervision and the risk management ability of commercial banks.

- Intensified regulation on certain industries and customers: the CBRC promulgated a series of regulations relating to the real estate industry and local government financing vehicles, limiting the lending level granted by the PRC commercial banks to such clients, and require commercial banks to strengthen risk control on such sectors.
- Improving corporate governance: the CBRC requires banks to establish corporate governance structures that consist of a Board of Directors comprising independent directors, an audit committee, a remuneration committee, a nomination committee and other special board committees, as well as a supervisory committee comprising external supervisors, a nomination committee, an administration committee and other special board committees. In addition, the CBRC also requires PRC banking institutions to establish an independent internal audit function which has clear policies and procedures.
- Strengthened regulation on wealth management services: since 2005, the CBRC has promulgated a series of measures to regulate the development of personal wealth management business of PRC commercial banks, requiring commercial banks to submit reports to, or obtain approval from, the CBRC when engaged in certain personal wealth management business, and imposing restrictions on the total amount of non-standard debt-based assets (including trust plans) in which banks could utilize investing capitals for investment.

In terms of regulation on internet finance, the PBOC suspended QR code and virtual credit card payment on third-party online payment platforms in March 2014. In accordance with China Financial Stability Report (2014) (《中國金融穩定報告(2014)》) issued by the PBOC in April 2014, the PBOC will enhance the regulation of internet finance to facilitate the sound development of the banking industry. In July 2015, ten ministries and commissions under the State Council, including the PBOC, promulgated Guiding Opinions on Promoting Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), raising series of policies and measures for encouraging innovation and underpinning stable development of internet finance. The guiding opinions advocate innovation in platforms, products and service of internet finance, promote cooperation among practitioners, extend their financing channels, curb the power of bureaucrats, improve fiscal and taxation policies, and accelerate the construction of credit infrastructure and auxiliary service system. The guiding opinions also raise structural opinions on major forms of internet finance, such as internet payment, network lending, equity crowd funding, internet fund sale, internet insurance, internet trust and internet consumption finance, and raise detailed requirements on management of the internet industry, customer funds third party custody system, information disclosure, risk warning and qualified investor system, protection of consumer rights and interests, network and information security, anti-money laundering and financial crime prevention, industry self-discipline, supervision coordination and data statistics monitoring.

See "Supervision and Regulation" for details of regulatory measures concerning the PRC banking sector.

Positive Prospect of the Financing Business of Small and Micro Enterprises

In recent years, small and micro enterprises in China developed vigorously, and the loans of small and micro enterprises increased rapidly as well. According to the CBRC 2014 annual report, as of December 31, 2014, the loan balances of small and micro enterprises were RMB20.7 trillion, accounting for 23.9% of total loans of China financial institutes (including domestic and foreign currency). Loans to small and micro enterprises increased by 17.5% to RMB3.1 trillion from the beginning of 2014, which is 4.2 percentage points higher than the growth rate of total loans of China financial institutes (including domestic and foreign currency).

In 2005, the CBRC raised "six mechanisms" for small and micro enterprises loans, encouraging banks to develop business in respect of small and micro enterprises. In response to the State Council's call for encouraging the development of, and innovation in financial services for, small and micro enterprises, in 2015, the CBRC promulgated Guiding Opinions of the CBRC on the Financial Service for Small and Micro Enterprises (《中國銀監會關於2015年小微企業金融服務工作的指導意見》) in 2015, further offering policy support for the development of small and micro enterprises business. The guiding opinions endeavor to achieve: while increasing the loans efficiently, the growth rate of loans to small and micro enterprises being not lower than the average growth rate of each loan and the number of small and micro enterprises loan customers and the approval rate of such loans being not lower than that of the previous year in the same period. In addition, the guiding opinions also call on the construction of special service institution of small and micro enterprise and extension of the outlets and institutions' network for serving small and micro enterprises. Along with the continuous development of capital market, it is expected that part of financing of large enterprises and group clients will shift from commercial banks to capital market, and small and micro enterprises will become more important client sources of commercial banks. Encouraged by national policies and driven proactively by banking institutions in China, it is expected that financing service for small and micro enterprises will become a larger part of overall business of PRC commercial banks.

Increasing Demands for Personal Finance

The increasing consumers' requirements on diversified banking products and services (such as residential mortgage loans, credit cards, wealth management services, personal consumption loans and other consumer financial products) brought great development opportunity for personal finance business market in China. The table below sets forth the total amount of domestic personal RMB-denominated loans and their percentage of total domestic RMB-denominated loans as of the dates indicated:

	As of December 31,					CAGR
	2010	2011	2012	2013	2014	(2010-2014)
	(RMB billion, except for percentage)					
Total amount of domestic personal RMB-denominated loans	11,254	13,601	16,130	19,850	23,141	19.8%
As a percentage of total domestic RMB-denominated loans	23.5%	24.9%	25.7%	27.7%	28.4%	N/A

Source: The PBOC

In addition to traditional personal finance business, with rapid growth of household disposable income and expansion of affluent population, strong demands for wealth management services emerge in the market in recent years. PRC commercial banks have commenced to offer customized and professional services, such as asset management and wealth management services, to mid- and high-end customers. Following the private banking services set up by foreign banks, PRC commercial banks also began to establish their own private banking departments to increase the market penetration rate of their personal banking business among high-net-worth individuals in the PRC.

Development of Electronic Banking

With the continued development of internet technology and banking information system in China, PRC commercial banks are able to develop new self-service banking products and services through electronic banking systems such as online banking and telephone banking. Through the integration of physical outlet services and electronic networks, banks can provide more convenient traditional banking services and sophisticated innovative banking products to customers with more convenience. Electronic banking has opened up a vast new channel for PRC commercial banks to expand the scale and coverage of the banking business.

OVERVIEW

In China, the banking industry is extensively regulated, mainly by the CBRC, the PBOC and the MOF. The CBRC is responsible for supervising and regulating banking financial institutions while the PBOC, as the central bank of China, is responsible for formulating and implementing monetary policies. The MOF is responsible for supervising and regulating state-owned financial assets. Laws and regulations applicable to the banking industry in China mainly include the PRC Commercial Banking Law, the PRC PBOC Law and the PRC Banking Supervision and Regulatory Law over the Banking Industry, as well as regulations and rules formulated thereunder.

HISTORY AND DEVELOPMENT OF THE REGULATORY FRAMEWORK

The PBOC, established on December 1, 1948, was originally the major regulatory authority of the financial industry in China. In January 1986, the State Council issued the Provisional Regulations of the People's Republic of China on the Control of Banks (《中華人民共和國銀行管理暫行條例》), stating clearly for the first time that the PBOC was the central bank of China and the regulatory authority of the financial industry in China.

The current banking regulatory framework took shape in 1995 with the promulgation of the PRC PBOC Law and the PRC Commercial Banking Law. The PRC PBOC Law promulgated in March 1995 stipulated the PBOC's scope of responsibilities and organizational structure, authorizing the PBOC to manage the RMB, implement monetary policies and supervise the financial industry in China. The PRC Commercial Banking Law, which was promulgated in May 1995, stipulated the basic operation principles for commercial banks in China.

Since then, China's regulatory framework for the banking industry experienced further significant reform and development. In April 2003, the CBRC was established to take over the major role of regulating China's banking industry which was previously assumed by the PBOC, to supervise and administrate banks, financial asset-management companies, trust-investment companies and other deposit-taking financial institutions, and to maintain the legitimate and steady operation of the banking industry. In December 2003 the PRC PBOC Law and the PRC Commercial Banking Law were amended. On February 1, 2004, the PRC Banking Supervision and Regulatory Law was officially launched, stipulating the CBRC's regulatory functions and responsibilities.

On August 29, 2015, the Standing Committee of the National People's Congress issued the Decision of the Standing Committee of the National People's Congress on Amending the Law of the People's Republic of China on Commercial Banks (《全國人民代表大會常務委員會關於修改〈中華人民共和國商業銀行法〉的決定》), and the amended PRC Commercial Banking Law came into force on October 1, 2015.

MAJOR REGULATORY AUTHORITIES

China Banking Regulatory Commission

Functions and Power

The CBRC is the major regulatory authority for banking financial institutions in China, responsible for supervising and regulating banking financial institutions operating in China's banking industry, including commercial banks, urban credit cooperatives, rural credit cooperatives, and other financial institutions and policy banks taking public deposits, as well as certain non-banking financial institutions. The CBRC is also responsible for supervising and regulating overseas entities and overseas operations of domestic financial institutions. According to the PRC Banking Supervision and Regulatory Law as amended on October 31, 2006 and related regulations, the major regulatory functions and supervising measures of the CBRC include:

- Formulating and publishing regulations and rules which regulate banking financial institutions and their business activities;
- Reviewing and approving the establishment, change and termination of banking financial institutions and their business scopes;
- Regulating business activities of banking financial institutions, including their products and services;
- Approving and supervising the qualifications of directors and senior management of banking financial institutions;
- Establishing prudent operation rules regarding risk management, internal control, capital adequacy ratio, asset quality, impairment loss reserve fund, risk concentration, related party transactions and asset liquidity of banking financial institutions;
- Conducting on-site inspection and off-site regulation on the business activities and risk profiles of banking financial institutions;
- Formulating emergency response systems and plans by cooperating with related departments;
- Taking actions to rectify and punish activities which violate regulations of the banking industry;
- Preparing and publishing statistics and financial statements of national banking financial institutions; and
- Taking over or procuring the reorganization of banking financial institutions which have seriously affected the legal rights and benefits of depositors and other clients, in the event of an actual or potential credit crisis.

Inspection and Supervision

The CBRC regulates the operations of banks and their branches through on-site inspection and off-site supervision by its headquarters in Beijing and local agencies nationwide. On-site inspection typically includes checking business venues and electronic data system of the banks on the site, interviewing staff, senior management and directors of the banks, asking for explanations on significant events related to operations and risk management of the banks, and reviewing related documents and data maintained by the banks. Off-site supervision usually covers reviewing business reports, financial statements and other reports submitted by the banks to the CBRC regularly.

The CBRC is authorized to take corrective and punitive measures against banking financial institution failing to comply with related regulations on the banking industry, including imposing a fine, ordering to suspend certain businesses, ceasing to approve new business, restricting the distribution of dividends and other income and asset transfer, ordering the controlling shareholder to transfer equity interest or limit the rights of relevant shareholders, ordering the change of directors, senior management or limiting their rights, or ceasing to approve the establishment of branches. Under extreme circumstances or when commercial banks fail to rectify within the period specified by the CBRC, the CBRC may order it to suspend business for rectification and revoke its business license.

The CBRC may procure the reorganization of banking financial institutions which have seriously affected the legal rights and benefits of depositors and other clients, in the event of an actual or potential credit crisis or bankruptcy.

The PBOC and the Inter-departmental Coordination Joint meeting for Financial Supervision.

As the central bank of China, the PBOC is responsible for formulating and implementing monetary policies, and safeguarding the stability of the financial market in China. According to the PRC PBOC Law and related regulations, the PBOC is authorized to perform the responsibilities as follows:

- Publishing and implementing orders and regulations related to its responsibilities;
- Formulating and implementing monetary policies according to law;
- Issuing RMB and managing the circulation of RMB;
- Regulating interbank currency market and interbank bond market;
- Exercising foreign exchange control and regulating the interbank foreign exchange market;
- Regulating the gold market;
- Holding, managing and operating the nation's foreign exchange reserves and gold reserves;
- Managing the national treasury;
- Maintaining normal operation of payment and the clearing system;
- Guiding and leading anti-money laundering measures in the financial industry and monitoring the fund flows related to anti-money laundering;
- Responsible for the statistics, investigation, analysis and forecasts of the financial industry; and
- Engaging in international financial activities as the central bank of China.

On August 15, 2013, the State Council issued the Reply of the State Council on the Establishment of the Inter-departmental Coordination Joint meeting System for Financial Supervision (《國務院關於同意建立金融監管協調部際聯席會議制度的批復》), according to which the joint meeting is led by the PBOC with major members including the CBRC, the CSRC, the CIRC, and the SAFE. When necessary, departments such as the NDRC and the MOF may also be invited.

The MOF

The MOF is a department under the State Council which is responsible for performing related functions such as the national finance, taxation, accounting and the management of state-owned financial assets. The MOF regulates the performance assessment and remuneration system of the senior management of state-owned banks, and supervises the compliance of banks with the PRC GAAP and Financial Rules for Financial Enterprises (《金融企業財務規則》). The MOF's major responsibilities include:

- Formulating and implementing finance and tax development strategies, plannings, policies and reform proposals;

- Drafting laws and administrative rules for fiscal, financial and accounting management, and formulating departmental regulations;
- Managing state-owned assets of financial enterprises, assessing state-owned assets, and participating in the formulation of management regulations for state-owned assets in financial enterprises; and
- Supervising and inspecting the implementation of financial and tax regulations and policies, reporting major problems in the management of fiscal revenues and expenditures, and managing the offices of financial supervisors, and others.

Other Regulatory Authorities

In addition to aforesaid regulatory authorities, commercial banks in China are also subject to the supervision and regulation of the SAFE, the SAIC, the CSRC, the CIRC, the NAO, the SAT and other regulatory authorities.

INDUSTRY ACCESS REQUIREMENTS

Basic Requirements

At present, the establishment of a joint-stock commercial bank must be approved and licensed by the CBRC. According to the current regulations, the CBRC typically will not approve the application for establishing a joint-stock commercial bank unless the following conditions are satisfied, including, amongst others:

- The articles of association must comply with related requirements of the PRC Company Law and the PRC Commercial Banking Law;
- The registered capital shall be paid-in capital, in an amount of at least RMB1 billion or equivalent in convertible foreign currency;
- There are competent directors, senior management, and qualified practitioners who are familiar with the banking business;
- There is sound organizational structure and management system;
- There is proper business premises, safety and precautionary measures and other facilities for business operations; and
- There is proper IT infrastructure for business operation, including safe and compliant IT systems necessary to the business operation, and the related technologies and measures to ensure effective and safe operation of the IT system.

Significant Changes

All significant changes of a joint-stock commercial bank must be approved by the CBRC or its local branches, including:

- Change of name of the head office or branches;
- Change of registered capital;
- Change of domicile of the head office;

- Change of business scope;
- Change of organizational form;
- Change of shareholders holding over 5% of total capital or total shares;
- Amendment of articles of association;
- Establishment or termination of branches and sub-branches;
- Merger or spin-off; and
- Dissolution and bankruptcy.

Establishment of Branches

A joint-stock commercial bank must get approval from the CBRC (or its local offices) and obtain business license and financial permit when establishing branches in China. To obtain the business license, such branches must possess sufficient working capital to support its operation and meet other operation requirements.

A joint-stock commercial bank must meet the following conditions when establishing a branch:

- The corporate governance structure is good;
- The risk management and internal control are sound and effective;
- Major prudent regulatory indicators meet regulatory requirements;
- It is capable to appropriate working capital;
- It has in place complete and compliant IT system and information security system, standardized data management system, and technologies and measures which can ensure continuous, effective and safe business operation;
- Its regulatory ranking is good;
- No substantial legal non-compliance or significant issues caused by internal management deficiencies in the most recent two years; and
- Other prudent conditions required by the CBRC.

Business Scope

In accordance with the PRC Commercial Banking Law, Chinese commercial banks are allowed to:

- Take public deposits;
- Extend short-term, medium-term and long-term loans;
- Process domestic and overseas settlements;
- Process acceptance bill and discounting;
- Issue financial bonds;
- Act as an agent for issuance, payment and underwriting of government bonds;
- Purchase and sell government bonds and financial bonds;

- Conduct interbank borrowings;
- Buy and sell foreign exchange, or act as an agent thereof;
- Operate banking card business;
- Provide Letters of Credit services and guarantees;
- Act as an agent for receipts and payment and insurance business;
- Provide safe deposit box service; and
- Other businesses approved by the banking industry regulators under the State Council.

Chinese commercial banks must specify business scope in their articles of association and submit their articles of association to the CRBC or its local offices for review and approval. A commercial bank may deal with exchange settlement and sales business with the approval from the SAFE.

REGULATION ON MAJOR BUSINESS OF COMMERCIAL BANKS

Loans

In order to control credit related risks, regulations on the banking industry of China require that commercial banks should: (i) establish strict and unified credit risk management system; (ii) establish standard operation procedures for each phase of credit extension, including due diligence investigation before the credit extension is granted, monitoring the borrower's solvency and periodically preparing credit assessment report; and (iii) appoint qualified risk control personnel.

The CBRC and other related departments have promulgated related laws and regulations on credit risks, excerpts of which are as follows:

- On July 23, 2009, the CBRC issued the Interim Provisions on the Management of Fixed Asset Loans (《固定資產貸款管理暫行辦法》), under which commercial banks should improve the internal control mechanism, manage the loans through an all-process loan management system, establish a fixed asset loan risk management system and an effective mechanism for balancing different positions, reinforce the management of loan usage, and improve the management on extension and payment of loans. Commercial banks are also required to reach an agreement with borrowers in the contract on contents important to the control of loan risks, and to establish loan quality supervision system and early warning system for loan risks;
- On February 12, 2010, the CBRC issued the Interim Provisions on the Management of Working Capital Loans (《流動資金貸款管理暫行辦法》), under which commercial banks are required to establish effective internal control and risk management system to monitor and control the use of working capital loans and fully understand client information. Commercial banks should take reasonable and prudent measures to estimate the actual capital demand based on the client's business operations and the credit limit as determined on such basis shall not exceed the client's actual demand for working capital. In addition, banking financial institutions are required to clearly specify in the loan agreement the legal use of the loan. The working capital loans shall not be used in fixed asset investment and equity investment or other purposes as prohibited by the government; and

- On February 10, 2015, the CBRC issued the Guidelines for Commercial Banks on the Risk Management of M&A Loans (《商業銀行併購貸款風險管理指引》), under which commercial banks are required to act in the principles of compliance, prudent operation, risk containment and sustainable operation when carrying out M&A loan business. Before starting their M&A loan business, commercial banks shall formulate procedures and internal control system for M&A loan business, and report to the regulatory authority. Commercial banks must meet the following requirements when conducting M&A loan business: (i) there are sound risk management and effective internal control system; (ii) the capital adequacy ratio shall not be below 10%; (iii) other regulatory indicators shall meet the regulatory requirements; (iv) there is a professional team to carry out due diligence investigation and risk assessment for M&A loans. The Guidelines also stipulate the assessment and management of M&A-related risks, covering overall strategic risks, legal and compliance risks, integration risks, operation risks and financial risks.

In addition, the CBRC and other related agencies have issued several regulations and guidelines on the provision of loans and credit extension to some specific industries and clients, in order to manage the credit risk of Chinese commercial banks and/or to achieve macro economic control targets.

Below is a summary of some regulations and guidelines applicable to the Bank:

- The Guidelines for Commercial Banks on the Risk Management on Credit Extension to Group Clients (《商業銀行集團客戶授信業務風險管理指引》), which requires commercial banks to formulate a risk management system for their credit extension to group clients and file such policies with the CBRC. When the credit extended to one single group borrower exceeds 15% of the net asset of a commercial bank, that commercial bank shall take actions such as syndicated loans, joint loans and loan transfer or take other measures to diversify the risks. Based on the provisions on prudential regulation, the CBRC may lower the outstanding credit limit extended by a commercial bank to a single group client relative to its net capital;

- The Interim Provisions on Personal Loan Management (《個人貸款管理暫行辦法》), which requires commercial banks to establish a set of effective full-process management mechanism and risk limit management system for personal loans. Certain conditions are stipulated with regard to the application for personal loans, together with relevant laws and policies applicable to personal loans. The use of personal loans must comply with laws and regulations and national policies. Commercial banks shall not grant personal loans with no specific purposes;

- The Guidelines on Project Financing Business (《項目融資業務指引》), which requires banking financial institutions to establish a set of sound operating procedures and risk management system. Banking financial institutions must comprehensively identify and assess various risks in the construction and operation of the project, including policy risks, financing risks, project completion risks, market risks for the product, risks of over-budget, raw material risks, operation risks, exchange rate risks, environmental risks and other related risks. Banking financial institutions shall also pay attention to the borrower's debt-paying ability and evaluate risks related to the technical feasibility, financial feasibility and source of funds for debt repayment. Furthermore, commercial banks shall agree with the borrowers on a designated account for receipts of the project income, requiring them to deposit all the receipts of the project in such account and make payments according to agreed conditions and method. Commercial banks shall monitor the account of receipts in a dynamic way. When the cash flow is abnormal, commercial banks shall figure out the reasons and take actions accordingly;

- The Management Methods on Farmer Loans (《農戶貸款管理辦法》), which specifies the range of loans to farmers and encourages banking financial institutions to develop the farmer loan business, to formulate related operation strategies and to reinforce their ability to manage farmer loan risks;
- The Guidelines for Commercial Banks on the Management of Risks Related to Real Estate Loans (《商業銀行房地產貸款風險管理指引》), which requires commercial banks to establish approval standards for real estate loans (including land reserve loans, real estate development loans, residential mortgage loans and commercial housing loans), and the risk management and internal control system for real estate market risks, legal risks and operation risks. Commercial banks are prohibited from extending real estate loans to borrowers which have not obtained land use right certificates and related licenses. The CBRC and its local offices may regularly inspect the implementation of this Guidelines;
- The Notice of the State Council on Resolutely Curbing the Excessively Rapid Increase of Housing Price in Some Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》), which requires commercial banks to enhance the pre-lending examination and post-loan management after the loans are extended to real estate developers, and are prohibited from extending loans to new development projects of real estate developers who possess idle land or are involved in real estate speculation;
- The Notice of the General Office of the State Council on Continuously Regulating the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》), which further prohibits commercial banks to extend newly developed real estate project loan to developers who possess idle land, or are involved in illegal behaviors such as land speculation, property hoarding, and property price gouging;
- The Notice of the PBOC and the CBRC on Further Improving Residential Financial Services (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》) (including) encourages banking financial institutions to actively support the reconstruction of shanty towns and the construction of affordable houses that meet the credit extension conditions under the principles of risk manageability and financial sustainability. The term of the loans for public rental housing and shanty town reconstruction can be extended to up to 25 years. Banking financial institutions shall, under the premise of risk prevention, allocate credit resources reasonably, support real estate developers with good credentials and good faith in their development of common commercial housing, and actively fund the reasonable financing demand for projects under construction and expansion with good market prospect;
- The Notice of the PBOC and the CBRC on Certain Issues Related to the Improvement of Differentiated Housing Credit Policies (《中國人民銀行、中國銀行業監督管理委員會關於完善差別化住房信貸政策有關問題的通知》) requires the implementation of the provisions on housing loans in the Notice of the State Council on Resolutely Curbing the Excessively Rapid Increase of Housing Price in Some Cities (《國務院關於堅決遏制部分城市房價過快上漲的通知》). All commercial banks are required not to grant residential loans to households intending to buy their third or more residential properties and non-local residents who are unable to provide local tax certificates for more than one year or

certificates of social insurance contribution. According to the Notice, the minimum down payment is adjusted to 30% for buyers of the first personal commercial housing. For the second homebuyers, the minimum down payment shall be not lower than 50% and the loan rate shall not be lower than 1.1 times of the benchmark interest rate as published by the PBOC. According to the Notice of the General Office of the CBRC on Enhancing the Risk Management of Residential Financial Services (《中國銀監會辦公廳關於做好住房金融服務加強風險管理的通知》) issued on March 8, 2011 by the CBRC, the down payment for second home buyers is increased to no lower than 60% after the Notice of the General Office of the State Council on Issues Related to Further Enhancing Real Estate Market Regulation (《國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知》) was circulated. On September 29, 2014, the PBOC and the CBRC issued the Notice on Further Improving Residential Financial Services (《中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知》), stipulating that the minimum down payment shall be 30% for households buying their first common owner-occupied housing and the interest rate floor is 0.7 time of the benchmark interest rate. For households with one residential property loans that have been fully paid, banking financial institutions may take them as first home buyers when they apply for loans to buy another commercial house for upgrading purpose. In cities where home purchase restrictions have been lifted or have not been imposed, banking financial institutions shall prudentially determine the proportion of the down payment and loan rate based on such factors as the solvency and credit status of the borrowers who have two or more houses but are applying for mortgage loans after their previous mortgage loans have been fully paid. On March 30, 2015, the PBOC, the Ministry of Housing and Urban-Rural Development, and the CBRC published the Notice on Issues Related to Residential Mortgage Loan Policies (《中國人民銀行、住房城鄉建設部、中國銀行業監督管理委員會關於個人住房貸款政策有關問題的通知》), requiring that the minimum down payment shall be adjusted to no less than 40% for households possessing one house with outstanding loans but applying for more commercial housing loans for upgrading purpose. The proportion of the down payment and loan rate shall be prudently determined by banking financial institutions based on such factors as the credit status and solvency of the borrowers. All agencies of the PBOC and the CBRC shall communicate effectively with local governments in the principles of implementing policies according to local conditions and providing guidance on different classifications, to reinforce the supervision on the implementation of differentiated housing loan policies by banking financial institutions; on the basis of unified credit policy in China, such agencies should guide banking financial institutions on reasonably determining the minimum down payment and interest rate for personal commercial housing loans, closely track and evaluate the implementation and effects of housing credit policies, prevent risks effectively and promote healthy and stable development of the local real estate markets. On August 27, 2015, the Ministry of Housing and Urban-Rural Development, the MOF and the PBOC jointly issued the Notice on Adjusting the Minimum Down Payment for Residential Mortgage Accumulation Fund Loan (《住房和城鄉建設部、財政部、中國人民銀行關於調整住房公積金個人住房貸款購房最低首付款 比例的通知》), stipulating that, since September 1, 2015, the minimum down payment shall be reduced to 20% from 30% for households possessing one house with no outstanding loans and applying for residential mortgage accumulation fund entrust loans for upgrading purpose. Beijing, Shanghai, Guangzhou and Shenzhen may independently decide the minimum down payment for residential mortgage accumulation fund entrust loans for the second house based on National policies and the local conditions of the city. On September 24, 2015, the PBOC and the CBRC jointly issued the Notice on Issues Concerning the Further Improvement of Differential Housing Credit Policies (《中國人民銀行、中國銀行業監督管理委員會關於進一步完善差別化住房信貸政策有關問題的通知》), which states that for personal commercial housing loans provided to families for first purchase of ordinary housing, the minimum down payment ratio shall be adjusted to not less than 25% in cities that have not imposed the restriction policy for property purchasing. Each of the agency assigned by the PBOC and the CBRC shall strengthen communication with local governments based on the principle of "giving targeted guidance, and implementing policies suitable to local conditions" and, according to different situations in different cities under its governance, guide local governments to self-determine the minimum down payment for personal commercial housing loans by integrating self-regulatory pricing mechanism for provincial market interest rate with local situations based on the unified national credit policies; On February 1, 2016, the PBOC and the CBRC jointly issued the PBOC and the CBRC Notice on Issues Related to Adjusting Residential Mortgage Loan Policies (《中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知》), requiring that in cities that have not imposed home purchasing restrictions, the minimum down payment ratio for personal commercial housing loans provided to families for first purchase of ordinary housing shall be 25% in principle, and the ratio over various regions could be floated downwards for 5%; the minimum down payment ratio shall be adjusted to no less than 30% for households possessing one house with outstanding loans but applying for more commercial housing loans to purchase ordinary housing for upgrading purpose. In cities that have imposed home purchasing restrictions, the residential mortgage loan policies shall be carried out according to the previous stipulations. The banking financial institutions shall prudentially determine the minimum down payment ratio and loan rate, integrating the requirements of the minimum down payment ratio determined by the provincial self-regulatory market ratio pricing mechanism, the internal policy of the banking financial institutions on personal commercial housing loans and risk prevention and control, and based on factors such as the solvency and credit status of the borrowers.

- According to the Notice of the State Council on Related Issues in Reinforcing the Management of Local Government Financing Vehicle (《國務院關於加強地方政府融資平台公司管理有關問題的通知》), the Guidelines of the CBRC on Enhancing Risk Management of Loans to Financing Vehicles (《中國銀監會關於加強融資平台貸款風險管理的指導意見》), the Notice on Earnestly Enhancing the Supervision of Risks Related to Loans to Local Government Financing Vehicles in 2011 (《關於切實做好2011年地方政府融資平台貸款風險監管工作的通知》), and the Guidelines of the CBRC on Enhancing the Supervision of Risks Related to Loans to Local Government Financing Vehicles in 2012 (《中國銀監會關於加強2012年地方政府融資平台貸款風險監管的指導意見》), banking financial institutions must strictly carry out pre-lending investigation, in-process and post-loan inspection for loans to local government financing vehicles, prudently extending loans to local government financing vehicles, adopting precise classification and making dynamic adjustment to the relevant loans, to accurately reflect and evaluate risks of relevant loans. Banking financial institutions shall also consider in a unified way the debt burdens of local governments and the potential risks and expected losses of the loan to local government financing vehicles, so as to reasonably appropriate impairment loss and calculate the risk weight of capital adequacy ratio in cases of full coverage, basic coverage, half coverage and no coverage of cash flow. According to the Guidelines of the

CBRC on Enhancing the Supervision of Risks Related to Loans to Local Government Financing Vehicles in 2013 (《中國銀監會關於加強2013年地方政府融資平台貸款風險監管的指導意見》), all banks must set limits on total loans for local government financing vehicle companies and shall not expand the scale of such companies. For local government financing vehicles companies with cash flow coverage below 100% or with an asset-liability ratio above 80%, the proportion of loans to their total loans to such vehicles shall not be higher than that in the previous year, and measures shall be taken to gradually reduce the extension of loans and to enhance collection of loans. According to the Opinions of the State Council on Enhancing Local Government Debt Management (《國務院關於加強地方政府性債務管理的意見》) issued and adopted on September 21, 2014, financial institutions shall not illegally provide financing to local governments or require local governments to illegally provide guarantees. Financial institutions shall comply with regulatory requirements when buying local government bonds, strictly standardize credit management when providing financing to corporate legal persons belong to the government or qualified for borrowing contingent debts, and earnestly enhance risk identification and management. According to the Opinions on Properly Solving Subsequent Financing Problems for Projects Under Construction by Local Government Financing Vehicle Companies (《關於妥善解決地方政府融資平台公司在建項目後續融資問題的意見》) issued by the MOF, the PBOC and the CBRC on May 11, 2015, implemented as of the same day, banking financial institutions shall properly handle subsequent financing problems for projects under construction by the financing vehicle companies, distinguish existing loans and new loans and exercise management by category, and raise funds according to law, to earnestly satisfy the need for promoting economic development and preventing financial risks. They shall, in the principles of total quantity control and differentiated treatment, support the existing financing need for projects under construction by financing vehicle companies, and ensure the orderly progress of projects under construction. They shall promote development while preventing risks, strictly standardize credit management, and earnestly reinforce risk identification and risk management; for loans to on-going projects of financing vehicles, banking financial institutions shall make their own decisions, take their own risk and optimize follow-up financing management based on prudent estimation of the repayment ability of financing vehicles, revenue from on-going projects of financing vehicles and the repayment ability of the local government. Banking financial institutions shall be cautious when reviewing loans and place their focus on supporting irrigation and water conservation facilities, affordable housing projects, urban rail transit and other areas of on-going projects of financing vehicles to ensure that the loans are in line with industrial development needs and industrial park development plans;

- According to the Guidelines on Further Improving Financial Services to Support Revitalization of Key Industries and Restrain the Overcapacity of Some Industries (《關於進一步做好金融服務支持重點產業調整振興和抑制部分行業產能過剩的指導意見》), banking financial institutions must respond to the State's industrial policies and financial control requirements, and extend credit on differentiated basis, by following the requirements of the Notice of the State Council on Approving and Forwarding Some Opinions of the NDRC and Other Departments on Guiding the Healthy Industrial Development by Restraining the Overcapacity and Repeated Construction of Some Industries (《國務院批轉發展改革委等部門關於抑制部分行業產能過剩和重複建設引導產業健康發展若干意見的通知》). Credit shall be extended timely and efficiently to enterprises and projects that are able to revitalize major industries, meet the requirements of market access and comply with loan policies of the banks. No credit shall be extended to enterprises and projects that fail to meet aforesaid conditions. Credit can be extended to projects in industries with overcapacity only after rigorous approval.

- According to the Notice of the CBRC on Circulating Green Loan Guidelines (《中國銀監會關於印發綠色信貸指引的通知》), banking financial institutions must support energy conservation, emission reduction and environmental protection, and prevent clients from environmental and social risks. According to the Guidelines, banking financial institutions must identify, measure, supervise and control the environmental and social risks in the process of credit extension, and establish related risk management system. Banks shall clarify the direction and key fields for green loans, formulate specific credit extension guidelines for industries to which loans are restricted and industries with significant environmental and social risks, implement flexible differentiated credit extension policy, and adopt risk management system. To be specific, banking financial institutions must consider characteristics of clients and conduct due diligence on the environmental and social risks. They shall not extend credit to clients which do not comply with environmental and social performance requirements. For clients with major environmental and social risks, banking financial institutions shall require them to submit environmental and social risk reports, and include in the loan agreement specific clauses on the management of such risks. Moreover, banking financial institutions must take special measures on post-loan management against clients with potential significant environmental and social risks, promptly adopt related risk treatment measures, and report to the regulatory body the possible influence of this event on banking financial institutions;

- The Notice of the CBRC and the NDRC on Circulating the Guidance on Energy Efficiency Loans (《中國銀監會、國家發展和改革委員會關於印發能效信貸指引的通知》) encourages banking financial institutions to provide credit financing to energy consumption entities. According to the Notice, banking financial institutions can extend credit to energy efficiency projects invested by energy consumption entities or energy performance contracting projects established by energy-saving companies. Banking financial institutions shall further improve their risk management capability for energy efficiency credit through multiple approaches, including (i) setting access requirements for energy efficiency projects, energy consumption entities and energy-saving service companies; (ii) reinforcing due diligence on energy efficiency credit extension and obtaining overall understanding on the risk evaluation of borrowers; (iii) improving credit and post-loan management on energy performance contracting; and (iv) establishing credit supervision and risk warning mechanism; and

- According to the Opinions of the CBRC on Deepening Financial Services to Small and Micro Enterprises (《中國銀監會關於深化小微企業金融服務的意見》), the Guidelines of the General Office of the State Council on Providing Financial Services to Support Economic Structure Adjustment, Transformation and Upgrading (《國務院辦公廳關於金融支持經濟結構調整和轉型升級的指導意見》), the Implementation Opinions of the General Office of the State Council on Providing Financial Services to Support the Development of Small and Micro Enterprises (《國務院辦公廳關於金融支持小微企業發展的實施意見》), and the Guidelines of the CBRC on Further Improving Financial Service to Small and Micro Enterprises (《中國銀監會關於進一步做好小微企業金融服務工作的指導意見》), banking financial institutions shall, strictly in the principles of business sustainability, focus on supporting the financing needs from small and micro enterprises which meet the national industrial and environmental policies, can promote the expansion of employment, and are willing to repay debt with good solvency. Banking financial institutions shall, under the premise of business sustainability and risk manageability, actively adjust credit structure and separately prepare annual plan for credit extension to small and micro enterprises. The Notice of the General Office of the CBRC on Related Matters of Medium-sized and Small commercial Banks Establishing Community Sub-branches and Micro Sub-branches (《中國銀監會辦公廳關於中小商業銀行設立社區支行、小微支行有關事項的通知》) encourages medium-sized and small commercial banks to provide professional, convenient and considerate financial services to small and micro enterprises and communities, accelerate strategic transformation; support qualified medium-sized and small commercial banks to establish community sub-branches and micro sub-branches with manageable risks and measureable costs, and develop a differentiated and featured path. Community sub-branches will not provide corporate banking services. The outstanding loans extended by a micro sub-branch to a single client shall not exceed RMB5 million;

The Bank has followed certain requirements and taken measures pursuant to the aforesaid regulations, and has also further improved its risk management and internal control ability with regard to the loans and credit provided to certain specific industries and clients.

Foreign Exchange Business

Commercial banks shall obtain approvals from the PBOC and the SAFE when conducting foreign exchange business. According to the anti-money laundering laws and regulations in China, PRC financial institutions shall promptly report any large or doubtful foreign exchange transactions processed by them to the Anti-money Laundering Monitoring and Analysis Center.

Securities and Asset Management Business

Generally speaking, PRC commercial banks are not allowed to engage in equity security trading and underwriting business. However, they are allowed to:

- Underwrite, buy and sell government bonds, financial bonds and commercial bonds issued by qualified non-financial institutions;
- Act as an agent for securities trading (including bonds issued by the PRC government, financial institutions and other corporate entities);
- Offer comprehensive asset management and consultancy service to institutions and retail investors;
- Act as a financial advisor to large infrastructure projects, M&As and bankruptcy restructuring; and
- Act as the trustee for funds such as securities investment funds and enterprise annuity funds.

According to Management Measures for Custody of Securities Investment Funds (《證券投資基金託管業務管理辦法》) published by the CSRC and the CBRC on April 2, 2013, a commercial bank is permitted to apply for the right to engage in custodian business for securities investment funds, if, amongst other requirements, such commercial bank has year-end net assets of no less than RMB2 billion at the end of each of the most recent three fiscal years and if its capital adequacy ratio meets the relevant regulatory requirements. The fund custodian must make sure to separate fund custody business from other businesses and isolate the fund assets. The CSRC and the CBRC will jointly examine and approve the qualifications of custody of commercial banks for fund custody and supervise them. According to the Management Measures for Enterprise Annuity Fund (《企業年金基金管理辦法》) jointly issued and amended by the Ministry of Human Resources and Social Security, the CBRC, the CSRC and the CIRC on May 1, 2015, commercial banks shall establish independent custody and investment department when acting as the custodian of enterprise annuity plans. In addition, the office area, operation management process and business system must be separated strictly. The senior management members directly in charge and general staff in the custody business and investment department shall not hold concurrent posts mutually.

Insurance Agency Business

PRC commercial banks are not allowed to underwrite insurance policies, but may sell insurance products through their distribution networks as an agent. Commercial banks shall comply with related rules published by the CIRC when selling insurance products as an agent. According to the Notice of the CBRC on Further Enhancing Compliant Sales of Insurance Products by Commercial Banks in Insurance Agency Business and Its Risk Management (《中國銀行業監督管理委員會關於進一步加強商業銀行代理保險業務合規銷售與風險管理的通知》) published by the CBRC on November 1, 2010, each outlet of a commercial bank shall, in principle, cooperate with no more than three insurance companies when selling their insurance products; and shall report to the local agency of the CBRC if the commercial bank has more than three insurance partners. According to Regulatory Guidelines on the Insurance Agency Business of Commercial Banks (《商業銀行代理保險業務監管指引》) jointly issued by the CIRC and the CBRC on March 7, 2011, a commercial bank shall obtain license from the CIBC for each of its business outlets and each of its business outlets shall obtain the authorization from level-1 branch of that commercial bank before starting its insurance agency business.

According to the Notice of the CIRC and the CBRC on Further Standardizing Agency Sales of Insurance Products by Commercial Banks (《中國保監會、中國銀監會關於進一步規範商業銀行代理保險業務銷售行為的通知》) jointly published by the CIRC and the CBRC on January 8, 2014, a commercial bank shall analyze the demand of policyholders and evaluate their risk tolerance, and shall recommend insurance products based on the evaluation results. The sum of premiums for accident insurance, health insurance, term insurance, whole life insurance, annuity insurance with a period of no less than 10 years, endowment insurance with a period of no less than 10 years, property insurance (excluding investment-linked insurance of property insurance companies), guarantee insurance and credit insurance shall not be less than 20% of the total premium of insurance agency business.

Wealth Management Business

According to the Interim Provisions on Personal Wealth Management Business of Commercial Banks (《商業銀行個人理財業務管理暫行辦法》) published by the CBRC on September 24, 2005, commercial banks have to apply to the CBRC for approval of wealth management plan with guaranteed income, new investment-linked products with guaranteed income designed for personal wealth management business, and certain other personal wealth management businesses. For other personal wealth management services, commercial banks only need to report to the CBRC or its agency. Commercial banks are restricted in several aspects when offering personal wealth management products. According to the Guidelines on the Risk Management of Personal Wealth Management

Business of Commercial Banks (《商業銀行個人理財業務風險管理指引》) published by the CBRC as of the same date, a commercial bank shall establish analysis, review and reporting system for its personal wealth management business, and actively communicate with the regulatory authorities with regard to the major risk management method, risk estimation method, standards of personal wealth management business, and other major issues involved in the risk management process.

In order to further standardize and regulate the sales of wealth management products, the CBRC issued the Management Measures on Sales of Wealth Management Products by Commercial Banks (《商業銀行理財產品銷售管理辦法》) on August 28, 2011, requiring commercial banks to operate prudently and disclose their wealth management business promptly, so as to fully protect the interests of consumers.

On April 17, 2006, the PBOC, the CBRC and the SAFE jointly issued the Interim Measures on the Management of Overseas Wealth Management Agency Business of Commercial Banks (《商業銀行開辦代客境外理財業務管理暫行辦法》), allowing commercial banks with official qualifications to conduct overseas wealth management business, as entrusted by domestic institutions and residents, to invest in financial products overseas.

On March 25, 2013, the CBRC issued the Notice of the CBRC on Standardizing Certain Issues related to the Investment Operation of Wealth Management Business of Commercial Banks (《中國銀監會關於規範商業銀行理財業務投資運作有關問題的通知》), to reinforce the regulation of wealth management business of commercial banks. As required by the Notice, commercial banks shall clarify the invested assets for each wealth management product. In addition, the balance of non-standard debt assets invested with the wealth management fund of a commercial bank (namely the debt assets not traded on interbank market or stock exchange) shall not exceed 35% of the balance of wealth management products or 4% of its total assets disclosed in the auditor's report for the last year (whichever is lower) at any time.

On July 10, 2014, the CBRC issued the Notice on Issues Related to the Improvement of Banks' Organization and Management System of Wealth Management Business (《關於完善銀行理財業務組織管理體系有關事項的通知》), requiring banking financial institutions to reform the divisional system of wealth management business, establish dedicated wealth management operation department and manage the bank-wide wealth management business in a unified way according to requirements for independent accounting, risk separation, code of conduct, and convergence management. The wealth management business of commercial banks shall comply with the relevant regulatory requirements of the banking industry.

Interbank Business

On April 24, 2014, the PBOC, the CBRC, the CSRC and the CIRC and the SAFE jointly issued the Notice on Standardizing Interbank Business of Financial Institutions (《關於規範金融機構同業業務的通知》), to clarify several requirements on standardizing interbank business operations, reinforce and improve internal and external management on interbank business, and promote standardization and innovation of asset and liability business. For instance: (i) the Notice has defined and standardized interbank financing and investment businesses such as interbank borrowing, interbank deposit, interbank lendings, interbank payment, financial assets purchased for resale (sold under repurchase agreements), requiring financial institutions to conduct interbank business centering on investment and financing, which shall be clarified into aforesaid basic types based on the nature of each transaction, and manage different interbank business by category; (ii) financial assets purchased for resale (sold under repurchase agreements) shall be bank acceptance bill, bond, central bank bill and other highly liquid financial assets traded on the interbank market and the stock exchanges at reasonable fair value; (iii) financial institutions that deal in businesses of purchase for resale (sales under repurchase agreements) and interbank investment shall not accept or offer any direct or indirect, explicit or implicit credit guarantee from or to third-party financial institutions, unless otherwise stipulated by the government; (iv) financial institutions shall follow the principle of "substance over form" for their interbank investments, to accurately measure risks and appropriate corresponding capital and allowance based on the nature of underlying assets invested; (v) financial institutions shall determine the financing maturity reasonably and prudently for their interbank business. The maximum financing maturity shall not exceed three years for interbank loans and one year for other interbank financing business; with no renewal upon expiry; (vi) the net value of interbank lending (excluding interbank deposits for settlement purposes) from a commercial bank to a single financial institution legal person shall not exceed 50% of the tier-one capital of that bank after deducting assets with a risk weighting of zero, and the balance of interbank borrowings in a commercial bank shall not exceed 1/3 of its total debt; and (vii) financial institutions shall establish and improve corresponding risk management and internal control system for interbank business and adopt proper accounting measures.

On May 8, 2014, the General Office of the CBRC issued the Notice on Standardizing the Governance of Interbank Business of Commercial Banks (《關於規範商業銀行同業業務治理的通知》), requiring commercial banks to establish governance system based on the scale and the complexity of their interbank business, and to establish a system under which special departments shall be designated to manage the interbank business by the end of September 2014. For the interbank business such as interbank lending, purchase for resale, sales under repurchase agreements and interbank deposit in an electronic form on the financial trading market, the designated department shall not entrust other departments or branches. If the designated department for interbank business of a commercial bank is unable to deal with interbank business in an electronic form on the financial trading market, it may entrust other departments or branches to act as an agent for such operational matters as marketing and quotation, project origination and client relationship maintenance. However, the designated department for interbank business shall review and approve the counterparties, amount, duration, pricing and contract one by one and shall be responsible for centralized accounting responsible for and all risks. Commercial banks shall establish and improve interbank business authorization management system, credit extension management policy and counterparty access mechanism.

E-banking Business

In January 2006, the CBRC issued the Management Measures on E-banking Business (《電子銀行業務管理辦法》) and the Guidelines on E-banking Security Evaluation (《電子銀行安全評估指引》), requiring that all banking financial institutions applying for e-banking business shall establish sound internal control and risk management system and that there shall be no major accident occurred in key information management and business processing system in the year before such application. Moreover, all banking financial institutions engaged in e-banking business shall adopt security measures to ensure the confidentiality of information and prevent unauthorized use of e-banking account.

On August 9, 2011, the CBRC issued the Notice on Enhancing the Management of E-banking Client Information (《關於加強電子銀行客戶信息管理工作的通知》), requiring commercial banks to attach great importance to security and confidentiality of client information. Without the client's authorization, commercial banks shall not provide sensitive information of clients to a third-party institution directly or indirectly. A unified e-banking business department shall be clearly designated for electronic fund transfer and payment business to ensure safe, stable and continuous operation.

Credit Card Business

On January 13, 2011, the CBRC issued the Supervision and Management Measures on Credit Card Business of Commercial Banks (《商業銀行信用卡業務監督管理辦法》), stipulating that commercial banks must meet requirements for conducting credit card business, including prior approval from the CBRC. Commercial banks shall have effective internal control and risk management system to supervise the operation of its credit card business and protect legal rights and security of personal information of the clients. Commercial banks shall also fully disclose to clients the risks related to the use of credit cards and establish corresponding complaint handling mechanism.

Proprietary Investment

In general, commercial banks in China shall not make domestic investment, other than debt instruments issued by the PRC government and financial institutions, short-term financing bills, medium-term notes, bonds issued by corporations and certain derivative products issued by qualified non-financial institutions. Unless otherwise approved by the PRC government, PRC commercial banks shall neither engage in trust investment or securities business, nor invest in real estate (except self-use properties) and non-banking financial institutions and enterprises.

Derivatives

According to the Interim Measures on the Management of Derivatives Trading by Banking Financial Institutions (《銀行業金融機構衍生產品交易業務管理暫行辦法》) revised and issued on January 5, 2011 by the CBRC, PRC commercial banks shall obtain prior approval from the CBRC and meet related qualification requirements before applying for derivative business. The Measures stipulate that commercial banks engaging in foreign exchange, commodity, energy and equity related derivatives and on exchange derivatives trading shall have derivative trading qualifications issued by the CBRC, and shall comply with the State's regulations on the administration of foreign exchange and other regulations.

Financial Innovation

On December 5, 2006, the CBRC issued the Guidelines on Financial Innovation of Commercial Banks (《商業銀行金融創新指引》), aiming at encouraging Chinese commercial banks to conduct business related to financial innovation on the basis of prudent operation, including development of new business and products, upgrading of existing business and products, expansion of business scope and enhancement of cost efficiency and profitability, and reduction of reliance of loan business. The CBRC will simplify approval procedures for financial innovations.

Financing to Small and Micro enterprises

On June 29, 2007, the CBRC issued the Guiding Opinions on Banks' Credit Extension to Small Enterprises (《銀行開展小企業授信工作指導意見》), proposing several requirements on how commercial banks can better offer financing service to small enterprises.

On April 19, 2012, the State Council issued its Opinions on Further Supporting the Healthy Development of Small and Micro enterprises (《國務院關於進一步支持小型微型企業健康發展的意見》), clarifying its further support to the healthy development of small and micro enterprises. On August 2, 2012, the General Office of the State Council issued the Plan for Work Division among Major Departments for Further Supporting the Healthy Development of Small and Micro-enterprises (《進一步支持小型微型企業健康發展重點工作部門分工方案》), dividing the work among the CBRC, the PBOC, the MOF and other departments for relieving the financing difficulty facing small and micro-enterprises.

On August 8, 2013, the General Office of the State Council issued the Implementation Opinions on Financial Supports to the Development of Small and Micro enterprises (《關於金融支持小微企業發展的實施意見》), giving certain advices on further enhancing financial services to small and micro-enterprises and the support to their development.

On August 29, 2013, the CBRC issued the Guiding Opinions on Further Improving Financial Services to Small and Micro enterprises (《關於進一步做好小微企業金融服務工作的指導意見》), which proposes certain requirements on further promoting Chinese banking industry financial service to small and micro enterprises, further improving the monitoring indicator system and assessments of financial service for small and micro-enterprises.

On July 23, 2014, the CBRC issued the Notice of Improving and Innovating Loan Services to Small and Micro Enterprises and Improving Financial Service Level to Small and Micro enterprises (《關於完善和創新小微企業貸款服務提高小微企業金融服務水平的通知》), which proposes certain requirements on banking financial institutions to rationally resolve the loan term of small and micro enterprises, to diversify the products of loan, to innovate service pattern, and to improve risk management.

On June 24, 2015, the CBRC issued the Notice from CBRC to Further Implement Financial Service Supervising Policy of Small and Micro enterprises (《中國銀監會關於進一步落實小微企業金融服務監管政策的通知》), which proposes certain requirements on ensuring the implementation of policies, clarifying the emphasis of supports, increasing the input of credit and loan, advancing the innovation of loan services, improving tolerance indicator of non-performing assets, improving the service ability, and standardizing service charge for the purpose of implementing each supporting policy and continually improving and deepening financial service to small and micro enterprises.

Internet Finance

On July 18, 2015, the Ministry of Public Security, the Ministry of Industry and Information Technology, and the PBOC jointly issued the Guiding Opinions on Promoting the Healthy Development of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), which proposes the below opinions on further promoting financial reform and innovation, opening-up, and the healthy development of internet finance: (i) encouraging innovation and supporting the steady development of internet finance; (ii) classifying the business with specific guiding policy and clarifying regulatory responsibility for internet finance; (iii) improving the system and standardizing market order for internet finance.

Certificates of Deposit

On June 2, 2015, the PBOC promulgated the Provisional Measures on Management of Certificates of Deposit (《大額存單管理暫行辦法》) to standardize and regulate the development of certificates of deposit business, expand the market pricing range of liability products issued by deposit-taking financial institutions and promote the liberalization of interest rates in an orderly manner. A self-regulated pricing system shall be developed by banks to determine the interest rates of certificates of deposit based on market conditions and the relevant rules. The PBOC also promulgated the Implementation Provisions of Management of Certificates of Deposit (《大額存單管理實施細則》) on June 2, 2015.

The measures and implementation provisions above mentioned require deposit-taking financial institutions (the "Issuer") to fulfill the following conditions:(i) the Issuer is a member of the national self-regulating pricing system;(ii) the Issuer has formulated the administrative measures for certificates of deposit and established a management system for certificates of deposit business;(iii) such other requirements as promulgated by the PBOC. Deposit-taking financial institutions shall submit an annual issuance plan to the PBOC before the issuance of the first certificates of deposit every year. If there is any change to the issuance plan, the deposit-taking financial institutions shall file the same with the PBOC. Before the issuance of the first certificate of deposit every year, the Issuer shall register with the National Interbank Funding Center in respect of the issuance amount of the year, which shall be consistent with the amount stated in the annual issuance plan submitted to the PBOC. The proposed issuance amount for each term shall not exceed the annual approved amount. Certificates of deposit can be used for pledging, including but not limited to loans secured by pledges and financing secured by pledges. Interest rates on certificates of deposit shall be determined by the market. Fixed interest rate is calculated by using the annualized return rate while floating interest rate is calculated based on SHIBOR.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations in all material respects.

PRICING FOR PRODUCTS AND SERVICES

Interest Rates for Loans and Deposits

According to the PRC Commercial Banking Law, banks shall determine the interest rates for RMB-denominated loans and deposits based on the range of benchmark interest rates stipulated by the PBOC. In recent years, the PBOC has gradually relaxed its regulations on interest rates and granted greater autonomy to banks in determining the interest rates for RMB-denominated loans and deposits. Effective on July 20, 2013, interest rates for RMB-denominated loans (except for personal residential housing loans) can be determined by commercial banks at their own discretion. On October 24, 2015, the PBOC removed the upper limit on the floating range of deposit interest rates for commercial banks. The evolution of the interest rate regulation in China is summarized below:

The regulatory approach for interest rates of residential mortgage loans is the same as most of the other types of loans from March 17, 2005 to August 18, 2006. On August 19, 2006, the lower limit interest rates for residential mortgage loans were adjusted to 85% of the benchmark interest rates for loans published by the PBOC. On October 27, 2008, the lower limit interest rates for residential mortgage loan were adjusted to 70% of the benchmark interest rates for loans published by the PBOC. On April 17, 2010, the lower limit interest rates for residential mortgage loans for PRC households buying the second property were adjusted to 110% of the benchmark interest rates for loans published by the PBOC. On July 20, 2013, the PBOC removed the regulation on the lower limit interest rates for new loans extended by commercial banks. However, the range of fluctuation for interest rates of new residential mortgage loans remains unchanged, and the differentiated housing credit policy shall be continuously followed. On September 29, 2014, the PBOC and the CBRC stipulated that households possessing one house with no outstanding mortgage loans may be taken as first home buyers when applying for mortgage loans for upgrading purpose. In cities where home purchase restrictions have been lifted or have not been imposed, banking financial institutions shall prudently determine the proportion of the down payment and loan interest rates based on such factors as the solvency and credit status of the borrowers who have two or more houses but are applying for mortgage loans after their previous mortgage loans have been fully paid.

On October 29, 2004, commercial banks in China were allowed to determine independently the interest rates for RMB-denominated deposits, which should not be higher than the benchmark interest rates published by the PBOC. On June 8, 2012, the upper limit on the interest rates of RMB-denominated deposits as set independently by PRC commercial banks was adjusted to 110% of the benchmark interest rates published by the PBOC for RMB-denominated deposits. On November 22, 2014, the upper limit on the interest rates of RMB-denominated deposits as set independently by PRC commercial banks was further adjusted to 120% of the benchmark interest rate published by the PBOC for RMB-denominated deposits. On March 1, 2015, the upper limit on the interest rates of RMB-denominated deposits as set independently by PRC commercial banks was further adjusted to 130% of the benchmark interest rate published by the PBOC for RMB-denominated deposits. On May 11, 2015, the upper limit on the interest rates of RMB-denominated deposits as set independently by PRC commercial banks was further adjusted to 150% of the benchmark interest rate published by the PBOC for RMB-denominated deposits. However, such limit is not applicable to interest rates of negotiated deposit. Negotiated deposit refers to the deposits of insurance companies in an amount of over RMB30 million (inclusive) with a term of more than five years, or deposits of social insurance funds in an amount of over RMB500 million (inclusive) and with a term of more than five years, or deposits of Postal Savings Bank of China in an amount of over RMB30 million (inclusive) and with a term of more than three years, or deposits of personal account pension fund in an amount of over RMB500 million (inclusive) and with a term of more than five years. Since August 26, 2015, the PBOC removed the upper limit on the floating range of the interest rates on time deposits with tenors of longer than one year while the upper limit on the floating range of on the interest rates on demand deposits and time deposits with terms up to one year remain unchanged. Since October 24, 2015, the PBOC removed the upper limit on the floating range of the interest rates on deposits and allowed commercial banks in China to set interest rates on deposits based on market considerations.

From 2011 to the Latest Practicable Date, the PBOC adjusted benchmark interest rates for RMB-denominated loans and deposits for 11 times in total.

The table below lists the benchmark interest rates for RMB-denominated loans published by the PBOC since 2011.

Date of adjustment	6 months or less	Over 6 months to 1 year (inclusive)	Over 1 year to 3 years (inclusive)	Over 3 years to 5 years (inclusive)	Over 5 years	Housing accumulation fund loan: 5 years or less	Housing accumulation fund loan: Over 5 years
	Annual interest rate: %						
February 9, 2011	5.60	6.06	6.10	6.45	6.60	4.00	4.50
April 6, 2011	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 7, 2011	6.10	6.56	6.65	6.90	7.05	4.45	4.90
June 8, 2012	5.85	6.31	6.40	6.65	6.80	4.20	4.70
July 6, 2012	5.60	6.00	6.15	6.40	6.55	4.00	4.50
November 22, 2014	5.60	5.60	6.00	6.00	6.15	3.75	4.25
March 1, 2015	5.35	5.35	5.75	5.75	5.90	3.50	4.00
May 11, 2015	5.10	5.10	5.50	5.50	5.65	3.25	3.75
June 28, 2015	4.85	4.85	5.25	5.25	5.40	3.00	3.50
August 26, 2015	4.60	4.60	5.00	5.00	5.15	2.75	3.25
October 24, 2015	4.35	4.35	4.75	4.75	4.90	2.75	3.25

Source: the PBOC

The table below lists the benchmark interest rates for RMB-denominated deposits published by PBOC since 2011.

Date of adjustment	Demand deposit	Time deposit: 3 months	Time deposit: 6 months	Time deposit: 1 year	Time deposit: 2 years	Time deposit: 3 years	Time deposit: 5 years
	Annual interest rate: %						
February 9, 2011	0.40	2.60	2.80	3.00	3.90	4.50	5.00
April 6, 2011	0.50	2.85	3.05	3.25	4.15	4.75	5.25
July 7, 2011	0.50	3.10	3.30	3.50	4.40	5.00	5.50
June 8, 2012	0.40	2.85	3.05	3.25	4.10	4.65	5.10
July 6, 2012	0.35	2.60	2.80	3.00	3.75	4.25	4.75
November 22, 2014	0.35	2.35	2.55	2.75	3.35	4.00	N/A(1)
March 1, 2015	0.35	2.10	2.30	2.50	3.10	3.75	N/A(1)
May 11, 2015	0.35	1.85	2.05	2.25	2.85	3.50	N/A(1)
June 28, 2015	0.35	1.60	1.80	2.00	2.60	3.25	N/A(1)
August 26, 2015	0.35	1.35	1.55	1.75	2.35	3.00	N/A(1)
October 24, 2015	0.35	1.10	1.30	1.50	2.10	2.75	N/A(1)

Source: the PBOC

Note: (1) Since November 22, 2014, the PBOC no longer publishes the benchmark interest rate for 5-year time deposits.

Generally, the PBOC does not regulate the interest rates for loans or deposits in foreign currencies, except those of PRC residents in an amount of less than USD3 million (or equivalent in other foreign currencies) in USD, HKD, Japanese Yen or Euro currencies with a term of one year or less, the upper limit interest rate of which shall not exceed the benchmark interest rate of the PBOC (on March 1, 2014, the upper limit of interest rate for foreign currency deposit with small amount was lifted in Shanghai Free Trade Zone. On June 27, 2014, the upper limit of interest rate for foreign currency deposit with small amount was lifted in Shanghai).

According to the Notice on Further Promoting the Reform of Interest Rate Liberalization (《中國人民銀行關於進一步推進利率市場化改革的通知》) issued by the PBOC, the bill discounting rate of commercial banks may be determined by commercial banks independently from July 20, 2013 onwards.

Pricing of Products and Services Based on Fees and Commission

The CBRC, the PBOC and the National Development and Reform Commission jointly issued the Notice on the Exemption of Certain Service Charges by Banking Financial Institutions (《關於銀行業金融機構免除部分服務收費的通知》) on March 9, 2011, requiring banking financial institutions to exempt some charges collectable for personal RMB accounts on July 1, 2011. In order to further standardize the charges collectable by banking financial institutions, the CBRC issued the Notice on Rectifying Non-standard Operations of Banking Financial Institutions (《關於整治銀行業金融機構不規範經營的通知》) on January 20, 2012, expressly prohibiting banking financial institutions from certain behaviors in charges collectable in the credit business and requiring banking financial institutions to make pricing more transparent. According to the Management Measures on Service Prices of Commercial Banks (《商業銀行服務價格管理辦法》) issued jointly by the CBRC and the National Development and Reform Commission on February 14, 2014, commercial banks shall apply market-adjusted prices except services with government guidance prices and government-set prices. Commercial banks shall publish at least three months in advance according to the Measures when increasing or setting new market-adjusted prices.

REQUIRED DEPOSIT RESERVE

Commercial banks have to deposit certain portion of its total deposits with the PBOC as reserves, to make sure that there is adequate solvency to meet the demand of clients for withdrawal and capital settlement. As of the Latest Practicable Date, the Bank needs to keep no less than 14.5% of its total RMB deposits as deposit reserves as required by the PBOC.

The table below lists the historical data of statutory RMB required reserve rate of the Bank since 2011, which are applicable to the Bank and complied with by the Bank.

Date of Adjustment	Required Reserve Rate (%)
January 20, 2011	17.0
February 24, 2011	17.5
March 25, 2011	18.0
April 21, 2011	18.5
May 18, 2011	19.0
June 20, 2011	19.5
December 5, 2011	19.0
February 24, 2012	18.5
May 18, 2012	18.0
February 5, 2015	17.5
April 20, 2015	16.5
September 6, 2015	16.0
October 24, 2015	15.0
March 1, 2016	14.5

Source: PBOC

SUPERVISION OVER CAPITAL ADEQUACY

The Latest Standard of the CBRC's Supervision over Capital Adequacy Level

On February 23, 2004, the CBRC issued the Capital Adequacy Measures, which became effective on March 1, 2004, and was amended on July 3, 2007.

Before January 1, 2013, the Bank need to comply with the Capital Adequacy Measures which required that a commercial bank to keep its minimum capital adequacy ratio at 8%, minimum core capital adequacy ratio at 4%. In addition, commercial banks are required to calculate and measure its capital adequacy ratio on the basis of adequate provision for various losses, including loan losses.

In accordance with the Capital Adequacy Measures, capital adequacy ratio and core capital adequacy ratio are calculated under the PRC GAAP as follows:

$$\text{Capital adequacy ratio} = \frac{\text{Capital—Capital deductions}}{\text{Risk-weighted assets} + 12.5 \times \text{Capital charge for market risk}} \times 100\%$$

$$\text{Core capital adequacy ratio} = \frac{\text{Core capital—Core capital deductions}}{\text{Risk-weighted assets} + 12.5 \times \text{Capital charge for market risk}} \times 100\%$$

Since January 1, 2013, the Bank has consistently followed the Capital Administrative Measures issued by the CBRC on June 7, 2012 and took effect on January 1, 2013. According to the Capital Administrative Measures, core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of commercial banks shall not be lower than 5%, 6%, and 8%, respectively. The Capital Administrative Measures also revised the risk weighting of various assets and adjusted the capital structure. Meanwhile, according to the Capital Administrative Measures, commercial banks should, before calculating capital adequacy ratio, provision adequate reserves for various impairment losses (including those related to loans). The revisions bring more stringent requirements for the capital adequacy level.

The new capital adequacy ratio can be summarized as follows:

$$\text{Capital adequacy ratio} = \frac{\text{Total capital—Corresponding capital deductions}}{\text{Risk-weighted assets}} \times 100\%$$

$$\text{Tier-one capital adequacy ratio} = \frac{\text{Tier-one capital—Corresponding capital deductions}}{\text{Risk-weighted assets}} \times 100\%$$

$$\text{Core tier-one capital adequacy ratio} = \frac{\text{Core tier-one capital—Corresponding capital deductions}}{\text{Risk-weighted assets}} \times 100\%$$

In the formula mentioned above:

Total capital	Including core tier-one capital, other tier-one capital and tier-two capital.
Tier-one capital	Including core tier-one capital and other tier-one capital.
Core tier-one capital	Including paid-up capital or ordinary shares, capital reserves, surplus reserves, general risk reserves, undistributed profits and the part of minority shareholder's capital that can be included.
Other tier-one capital	Including other tier-one capital tools and premium, and the part of minority shareholder's capital that can be included.
Tier-two capital	Including tier-two capital tools and premium, excess loan losses and the part of minority shareholder's capital that can be included.
Corresponding capital deductions	Refers to the deductions when commercial banks calculate the capital adequacy ratios at different levels.
Risk-weighted assets	Including credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets.

Commercial banks can adopt the method of weighting or internal rating based approach to calculate credit risk-weighted asset.

Market risk-weighted asset should be 12.5 times of the requirements of capital charge for market risk. Calculation of capital charge for market risk should cover interest rate risk and stock market risk of trading accounts in commercial banks, as well as all the exchange rate risks and commodity risks. Commercial banks can adopt standardized approach and internal model approach to measure required capital charge for market risk.

Operational risk-weighted asset should be 12.5 times of the required operational risk capital. Commercial banks can adopt basic indicator approach, standardized approach and advanced measurement approach to measure the required operational risk capital.

When the credit risk-weighted assets are calculated by using the weighting approach under the Capital Administrative Measures, the risk weightings of various assets are as shown in the following table.

Item				Risk weighting
a.	Cash assets			
	i.	Cash and cash equivalents		0%
b.	Creditor's rights to central government and central banks			
	i.	Creditor's rights to the central government of PRC		0%
	ii.	Creditor's rights to the PBOC		0%
	iii.	Creditor's rights to central governments and central banks of countries or regions with ratings above AA- (AA- inclusive)(1)		0%
	iv.	Creditor's rights to central governments and central banks of countries or regions with ratings above A- (A- inclusive) and below AA-(1)		20%
	v.	Creditor's rights to central governments and central banks of countries or regions with ratings above BBB-(including BBB-) and below A-(1)		50%
	vi.	Creditor's rights to central governments and central banks of countries or regions with ratings above B-(B- inclusive) and below BBB-(1)		100%
	vii.	Creditor's rights to central governments and central banks of countries or regions with ratings below B-(1)		150%
	viii.	Creditor's rights to central governments and central banks of countries or regions with no rating		100%
c.	Creditor's rights to public sector entities in China			20%
d.	Creditor's rights to financial institutions in China			
	i.	Creditor's rights to policy banks in China (excluding subordinated creditor's rights)		0%
	ii.	Creditor's rights to financial asset management companies invested by central government of China		
		1.	Holding bonds issued by financial asset management companies invested by the central government of China by way of private placements in order to purchase the non-performing loans of state-owned banks	0%
		2.	The other creditor's rights to financial asset management companies invested by the central government of China	100%
	iii.	Creditor's rights to other commercial banks in China (excluding subordinated creditor's rights)		
		1.	Original term within 3 months	20%
		2.	Original term over 3 months	25%
	iv.	Subordinated creditor's rights to commercial banks in China (part not deducted)		100%
	v.	Creditor's rights to other financial institutions in China		100%
e.	Creditor's rights to financial institutions and public sector entities registered in other countries or regions			
	i.	Creditor's rights to commercial banks and public sector entities registered in countries or regions with ratings above AA- (AA- inclusive)(1)		25%
	ii.	Creditor's rights to commercial banks and public sector entities registered in countries or regions with ratings above A- (A- inclusive) and below AA-(1)		50%
	iii.	Creditor's rights to commercial banks and public sector entities registered in countries or regions with ratings above B-(B- inclusive) and below A-(1)		100%

Item			Risk weighting
	iv.	Creditor's rights to commercial banks and public sector entities registered in countries or regions with ratings below B-[(1)]	150%
	v.	Creditor's rights to commercial banks and public sector entities registered in countries or regions with no rating	100%
	vi.	Creditor's rights to multilateral development banks, Bank of International Settlement and International Monetary Fund	0%
	vii.	Creditor's rights to other financial institutions	100%
f.	Creditor's rights to common enterprises		100%
g.	Creditor's rights to micro and small enterprises that meet certain criteria		75%
h.	Creditor's rights to individuals		
	i.	Individual housing mortgage loan	50%
	ii.	The part of additional loan for mortgage extended by commercial banks after reevaluating the net worth of the mortgaged house property, before the house buyers pay off all the loans	150%
	iii.	Other creditor's rights to individuals	75%
i.	Residual value of leasehold property		100%
j.	Equities		
	i.	Equity investments in financial institutions (the part that was not deducted)	250%
	ii.	Equity investments passively held in industrial and commercial enterprises	400%
	iii.	Equity investments specially approved by the State Council in industrial and commercial enterprises due to policy reasons	400%
	iv.	Other equity investments in industrial and commercial enterprises	1250%
k.	Non-self-use real estate		
	i.	Non-self-use real estate obtained by exercising mortgage rights within the lawful disposition deadline	100%
	ii.	Other non-self-use real estate	1250%
l.	Others		
	i.	Net deferred tax assets contingent to future profit of banks (part not deducted)	250%
	ii.	Other on-balance-sheet assets	100%

Note:
(1) these ratings refer to credit rating of Standard & Poor or other ratings equivalent.

Regulatory Requirements on Capital Adequacy Ratio

In commercial banks, regulatory requirements on capital adequacy ratio include minimum capital requirement, reserve capital requirement, counter-cyclical capital requirement, additional capital requirement of systemically important banks and capital requirement of the second pillar.

The commercial banks' Capital adequacy ratio at each level should meet the following minimum requirements:

- Capital adequacy ratio shall not be less than 8%;

- Tier-one capital adequacy ratio shall not be less than 6%; and
- Core tier-one capital adequacy ratio shall not be less than 5%.

Commercial banks should provision reserve capital on the basis of minimum capital requirement. Capital reserve requirements should be 2.5% of the risk-weighted assets, which is satisfied by core tier-one capital. Under special circumstances, commercial banks should provision counter-cyclical capital based on the requirements of minimum capital and minimum reserve capital. The requirement of counter-cyclical capital is 0% to 2.5% of risk-weighted assets, which should be satisfied by core tier-one capital.

In addition, domestic systemically important banks in China should also provision additional capital. The requirement of additional capital is 1% of risk-weighted assets, which should be satisfied by core tier-one capital. If a domestic bank is identified as a systemically important bank worldwide, the requirement of applicable additional capital shall be no lower than the unified regulations of the Basel Committee.

Meanwhile, the CBRC has the authority to put forward more prudent capital requirement under the framework of the second pillar, so as to ensure full coverage of risks by capital, including:

- Specific capital requirement put forward with regard to specific parts of asset portfolio according to risk judgment; and
- Specific capital requirement put forward with regard to specific single bank according to the supervision and inspection result.

Time Limit for Meeting the Requirements

The Capital Administrative Measures stipulates that commercial banks should meet the given regulatory requirement on capital adequacy ratio by the end of 2018. Qualified commercial banks are encouraged to meet the requirement in advance.

In order to ensure the successful implementation of the Capital Administrative Measures, the CBRC issued the Notice on Arranging Related Matters in the Transitional Period of Carrying out Capital Management Measures of Commercial Banks (trial) (《關於實施〈商業銀行資本管理辦法(試行)〉過渡期安排相關事項的通知》) on November 30, 2012. According to the Notice, it was stipulated that commercial banks should reach the minimum capital requirement before January 1, 2013. Meanwhile, systemically important banks in China should also meet the requirement of additional capital. During the transitional period, reserve capital requirement (2.5%) should be applied gradually, and commercial banks should meet the schedule of annual capital adequacy requirement as follows:

Type of banks	Item	By the end of 2013	By the end of 2014	By the end of 2015	By the end of 2016	By the end of 2017	By the end of 2018
Systemically important banks	Core tier-one capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Tier-one capital adequacy ratio	7.5%	7.9%	8.3%	8.7%	9.1%	9.5%
	Capital adequacy ratio	9.5%	9.9%	10.3%	10.7%	11.1%	11.5%
Other banks	Core tier-one capital adequacy ratio	5.5%	5.9%	6.3%	6.7%	7.1%	7.5%
	Tier-one capital adequacy ratio	6.5%	6.9%	7.3%	7.7%	8.1%	8.5%
	Capital adequacy ratio	8.5%	8.9%	9.3%	9.7%	10.1%	10.5%

Note: the Bank belongs to “other banks” as indicated above.

Additionally, if the regulatory authority requires commercial banks to provision counter-cyclical capital, or requires the provision of second pillar capital, the term of reaching the standard should be clear and definite, and commercial banks should meet the requirement before the time limit stipulated.

Commercial banks that had complied with the requirement of capital adequacy specified in the Capital Administrative Measures by the end of 2012 are encouraged to keep their capital adequacy ratio above the required level in the Capital Administrative Measures during the transitional period.

By the end of 2012, the Bank had complied with the requirement of capital adequacy ratio specified in the Capital Administrative Measures.

Issuance of Subordinated Bonds and Hybrid Capital Bonds

According to the Management Measures on the Issuance of Subordinated Bonds by Commercial Banks (《商業銀行次級債券發行管理辦法》) issued jointly by the PBOC and the CBRC on June 17, 2004, commercial banks in China are permitted to issue bonds subordinated to other liabilities of the bank but senior to equity capital of the bank. Approved by the CBRC, commercial banks in China are allowed to include such subordinated bonds into their supplementary capital. Subordinated bonds can be issued through public offering or private placement in the interbank bond market. Commercial banks in China are not allowed to hold subordinated bonds issued by other banks with an aggregate amount over 20% of their core capital. Subordinated bonds issued by commercial banks in China should be approved by the CBRC and the PBOC. The CBRC is responsible for supervision over the issuing qualification and the way to include the bond into supplementary capital. Meanwhile, the PBOC is responsible for the issuance and transaction of subordinated bonds in the interbank bond market.

The Relevant Issues on the Issuance of Hybrid Capital Bonds by Commercial Banks (《商業銀行發行混合資本債券的有關事宜》), issued by the PBOC on September 5, 2006, gave the specific definition of hybrid capital bonds. It stipulated that hybrid capital bond can be issued publicly or through a placement. Hybrid capital bond issued by commercial banks should meet the requirements of the Management Measures on the Issuance of Financial Bonds in the Nationwide Interbank Bond Market (《全國銀行間債券市場金融債券發行管理辦法》), and file application documents for issuance to the PBOC according to the requirements of the Management Measures on the Issuance of Financial Bonds in the Nationwide Interbank Bond Market (《全國銀行間債券市場金融債券發行管理辦法》). The issuance quantity of hybrid capital bond and the way the raised capital will be included into the supplementary capital should be executed in accordance with the relevant requirements of the regulatory authorities.

The Capital Administrative Measures was issued on June 7, 2012 by the CBRC and took effect on January 1, 2013. It adjusted the definition of capital of commercial banks in the Capital Adequacy Measures (composed of core capital and supplementary capital) to one that is composed of core tier-one capital, other tier-one capital and tier-two capital; meanwhile, qualification standard of the tier-two capital tool is also put forward. According to the Capital Administrative Measures, the unqualified tier-two capital tool issued by commercial banks before September 12, 2010 can be calculated into regulatory capital before January 1, 2013, and gradually decreases by 10% year by year from January 1, 2013. From January 1, 2022, it will not be allowed to be calculated into regulatory capital. For the tier-two capital tools issued from September 12, 2010 to January 1, 2013 by commercial banks, if no write-off or share-conversion clause is included while meeting other qualification standards for relevant capital tools, it can be calculated into regulatory capital before January 1, 2013. However, it will gradually decrease by 10% year by year from January 1, 2013. From January 1, 2022, it will not be allowed to be calculated into regulatory capital. The unqualified tools will not be allowed to be calculated into regulatory capital after January 1, 2013.

According to the Guiding Opinions on the Issuance of Corporate Bond by Commercial Banks for Capital Replenishment (《關於商業銀行發行公司債券補充資本的指導意見》) jointly issued by the CSRC and the CBRC on October 30, 2013, which took effect on November 6, 2013, listed commercial banks or those applying for listing that plan to issue written-down bonds in order to replenish capital should properly design the relevant clauses of corporate bond according to relevant laws and regulations, develop feasible offering plans, submit to the CBRC for confirmation of capital attribution and obtain the CBRC's regulatory opinions.

Issuance of Innovative Capital Tools

The Guiding Opinions on Capital Tool Innovation of Commercial Banks (《關於商業銀行資本工具創新的指導意見》), issued on November 29, 2012 by the CBRC, allows and encourages commercial banks to carry out capital tool innovation (including tier-two capital tools) according to the Capital Administrative Measures. In accordance with the Guiding Opinions, other tier-one capital tools and tier-two capital tools issued by commercial banks after January 1, 2013 should carry clauses under which relevant tools will be written down or converted into ordinary shares upon occurrence of the trigger events. Trigger events of other tier-one capital tools refers to the reduction of core tier-one capital adequacy ratio of commercial banks to 5.125% or below 5.125%. Trigger events of tier-two capital tools refers to the following two circumstances whichever is earlier: (i) the CBRC judges that, if write-down or share conversion is not allowed, the commercial bank will not survive; or (ii) relevant departments judge that, if there is no capital injection or equivalent supports from the public sectors, and the commercial bank will not survive.

Issuance of Preferred Shares for Capital Replenishment

On November 30, 2013, the State Council published the Guiding Opinions on the Pilot Project for Preferred Stock (《國務院關於開展優先股試點的指導意見》), stipulating principles on the definition of preferred stock, preferred distribution of profit and residual properties of preferred stockholder, the repurchase and conversion of preferred stocks, limits and recovery of voting rights, and issuance and trading of preferred stocks. On March 21, 2014, the CSRC issued the Management Measures on Pilot Project for Preferred Stocks (《優先股試點管理辦法》), specifying the provisions on the exercise of rights by preferred stockholder, issuance of preferred shares by listed companies, private placement of preferred shares by non-listed public companies, transfer, registration and settlement of trading, information disclosure, buybacks, mergers and acquisitions, reorganization, regulatory measures and legal responsibilities.

On April 3, 2014, the CBRC issued the Guiding Opinions on the Issuance of Preferred Stocks by Commercial Banks to Replenish Tier-one Capital (《關於商業銀行發行優先股補充一級資本的指導意見》). It stipulated that commercial banks should issue preferred stocks in accordance with relevant provisions of the State Council and the CSRC, as well as the requirement for replenishing tools capital issued by the CBRC. Meanwhile, core tier-one capital adequacy ratio can be no less than the prudent regulation requirements of the CBRC. In addition, it also stipulates some specific matters including application document and processes for issuing preferred stock.

Issuance of Special Financial Bond for Loans to Small and Micro Enterprises

On May 23, 2011, the CBRC issued the Notice on Supporting Commercial Banks to Further Improve the Financial Service to Small Enterprises (《中國銀監會關於支持商業銀行進一步改進小企業金融服務的通知》), stipulating that priority will be given to commercial banks with outstanding loans to small business reaching certain proportion of their corporate loan balance to support their issuance of special financial bonds for loans to small enterprises, provided that the prudent regulatory requirements are satisfied. On October 24, 2011, the CBRC issued the Supplementary Notice on Supporting Commercial Banks to Further Improve the Financial Services to Small and Micro Enterprises (《中國銀監會關於支持商業銀行進一步改進小型微型企業金融服務的補充通知》), further stipulating the details of issuing special financial bond by commercial banks for loan to small and micro enterprises.

CBRC Supervision over Capital Adequacy Level

The CBRC is responsible for supervision over the capital adequacy level of banking financial institutions in China. Through on-site inspection and off-site supervision, the CBRC monitors and evaluates the capital adequacy situation of banking financial institutions in China. Commercial banks should report unconsolidated capital adequacy ratio quarterly and consolidated capital adequacy ratio semiannually to the CBRC. According to the Capital Administrative Measures, the CBRC divides commercial banks into the following four types in accordance with the capital adequacy situation and takes relevant measures, described below:

Type	Capital adequacy situation	Measures of the CBRC
Type one	Capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio all meet the capital requirements at all levels	• To require banks to enhance analysis and forecast of the reasons for the decline in the level of capital adequacy ratio; • To require banks to develop practical management plan for capital adequacy ratio; and • To require banks to improve their abilities of risk control.
Type two	Capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio do not meet capital requirements of the second pillar, but not less than other capital requirements at all levels	• Regulatory measures taken by the first type of banks; • To carry out prudent discussion with the bank's board of directors and senior management; • To issue supervision position paper, with the content including: the existing problems of bank capital management, the corrective measures to be taken and the advice on deadline for meeting the standards; • To require banks to develop practical plans for capital

Type	Capital adequacy situation	Measures of the CBRC
		replenishment and the plan of deadline meeting the compliance; • To increase the frequency of supervision and inspection over bank capital adequacy; and • To require banks to take risk mitigation measures with respect to specific risks.
Type three	Capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio are all not less than the minimum capital requirement, but do not meet capital requirements at other levels	• Regulatory measures for type one and type two banks; • To restrict banks to dividend and other income; • To restrict banks to award any form of incentives to director and senior management; • To restrict banks to invest in stocks or repurchase capital tools; • To limit important capital expenditure of banks; and • To require banks to control the growth of risk assets.
Type four	Any of capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio doesn't reach the minimum capital requirement	• Regulatory measures for type one, type two and type three banks; • To require banks to significantly reduce the scale of the risk assets; • To instruct commercial banks to stop conducting all high-risk asset business; • To limit or prohibit the development of new institutions and new businesses; • To require banks to write down tier-two capital tools or convert to share ordinary; • To instruct the banks to adjust the directors, senior management or restrict their rights; • To lawfully take over or facilitate the reorganization of the bank, until such measures are revoked; and • To consider other external factors and take other necessary measures in order to solve the problems faced by Type four banks.

Introduction of New Leverage Requirements

In order to further meet the goals of supervision over capital adequacy ratio, the CBRC issued the Measures For Leverage Ratio on January 30, 2015, effective from April 1, 2015.

According to the Measures For Leverage Ratio, both consolidated and unconsolidated leverage ratios of commercial banks shall be no less than 4%, and leverage ratio shall be calculated according to the following formula:

$$\text{Leverage ratio} = \frac{\text{Tier-one capital—deduction of tier-one capital}}{\text{Adjusted asset balance inside and outside the balance sheet}} \times 100\%$$

The computational formula of adjusted asset balance inside and outside the balance sheet is shown as follows:

Adjusted asset balance inside and outside the balance sheet = adjusted asset balance inside the balance sheet (excluding derivative products and securities financing transactions inside the balance sheet) + asset balance of derivative products + asset balance of securities financing transactions + adjusted asset balance outside the balance sheet - deduction of tier-one capital.

Deduction of tier-one capital from adjusted asset balance inside and outside the table does not include unrealized gains or losses due to changes of the fair value of the liabilities of commercial banks caused by their own credit risk changes.

Commercial banks should submit reports of leverage ratio regularly in accordance with the requirements of the CBRC and its local offices. And the consolidated reports of leverage ratio should be submitted semiannually while unconsolidated reports should be submitted quarterly.

For the commercial banks with leverage ratio less than the minimum supervision requirements, the CBRC and its local offices can take the following corrective measures: (i) require commercial banks to replenish tier-one capital within a certain time limit; (ii) require commercial banks to control the growth rate of asset inside and outside the balance sheet; (iii) require commercial banks to lower the size of asset inside and outside the balance sheet. For overdue correction, or behaviors that seriously jeopardize the sound operation of commercial banks, cause damage to the legitimate interests of depositors and other clients, the CBRC and its local offices can take the following measures according to the PRC Banking Supervision and Regulatory Law under different circumstances: (i) suspend part of the business and stop developing new business; (ii) restrict the distribution of profits and other income; (iii) stop approving additional branches; (iv) instruct controlling shareholders to transfer shares or restrict the rights of relevant shareholders; (v) adjust the board of directors, senior management or restrict their rights; (vi) other measures stipulated by law. In addition to the measures mentioned above, administrative punishment can also be given to commercial banks according to the law.

It is specified in the Measures For Leverage Ratio, systemically important banks shall meet the minimum regulatory requirements in the Measures since the date on which the Measures are implemented, and non-systematically important banks shall meet the minimum regulatory requirements in the Measures by the end of 2016. Within to transition period, the banks which fail to meet minimum regulatory requirements shall establish plans to meet the standards and report to the CBRC or their local offices.

Our Bank has already met the standards in the Measures.

Basel Accords

Basel Capital Accords (also known as Basel I) is composed of a series of documents, including the metering system of bank capital made in 1988 by Basel Committee on Banking Supervision and supplemental provisions of market risk issued in 1996. Basel I requires banks to carry out the framework of credit risk measurement, and stipulates the minimum capital adequacy ratio as 8%.

Since 1998, Basel Committee has released a number of bills in succession, which completed the composition of the Basel II. The Basel II retains some elements of Basel I, which includes the general provision that banks should maintain total capital at least 8% of the risk weighted assets. However, it attempts to improve the capital structure from the principal aspects, including (i) the establishment of the "three-pillar" framework, namely "minimum capital standard" as the first pillar, "regulation and oversight of regulators" as the second pillar and "information disclosure" as the third pillar; and (ii) substantially revised the calculation method of capital adequacy ratio.

The Capital Adequacy Measures was issued on February 23, 2004 and revised on July 3, 2007 by the CBRC, The CBRC pointed out that the Capital Adequacy Measures was formulated on the basis of Basel I, with reference from Basel II in many aspects. In March 2009, China officially joined the Basel Committee, and began to participate in the establishment of the international standards for banking supervision. It was conducive to improving the level and skill of China's banking supervision.

In December 2010, Basel Committee officially released the latest capital accord (also known as Basel III), which established a new financial regulatory pattern combining micro prudential and macro prudential supervision, substantially increased the requirement of asset supervision of commercial banks, and established global unanimous quantitative liquidity supervision standards. In order to be consistent with the reform spirit of Basel Accords and promote the implementation of Basel III, Instruction of the CBRC on Carrying out Supervision Standards in China's Banking Industry (《中國銀行業監督管理委員會關於中國銀行業實施新監管標準的指導意見》) was issued on April 27, 2011 by the CBRC. It included the main objectives and principles of regulatory framework reform in China. On June 1, 2011, the CBRC issued the Measures For Leverage Ratio. On June 7, 2012, The Capital Administrative Measures was issued and it was put into effect on January 1, 2013, replacing the Capital Adequacy Measures and related guidelines.

In order to enhance the effectiveness of capital supervision, as well as improving the risk management ability of commercial banks and strengthen the function of market discipline, on July 19, 2013, the CBRC further set out four policy documents, including the Central Counterparty Risk Exposure Capital Measurement Rules (《中央交易對手風險暴露資本計量規則》), the Regulatory Requirement on Information Disclosure of Capital Composition in Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》), the Supplementary Regulatory Requirements on Carrying out Internal Rating Based Approach in Commercial Banks (《關於商業銀行實施內部評級法的補充監管要求》) and the Questions and Answers on Capital Regulatory Policy (《資本監管政策問答》).

In January 2013, Basel Committee published the Third Edition of Monitoring Standards on Liquidity Coverage Ratio and Liquidity Risk of Basel Accords (《第三版巴塞爾協議流動性覆蓋率和流動性風險監測標準》). On January 17, 2014, the CBRC issued the Management Measures on the Liquidity Risk of Commercial Banks (trial) (《商業銀行流動性風險管理辦法（試行）》), revising the regulatory requirements on liquidity. In January

2014, Basel Committee issued the Third Version of Framework and Disclosure Requirements of Leverage Ratio of Basel Accords (《第三版巴塞爾協議槓杆率框架和披露要求》), further revising the international rules of leverage ratio. Based on the new rules of Basel Committee on leverage ratio, in 2015, the CBRC revised the Management Measures on the Leverage Ratio of Commercial Banks (《商業銀行槓杆率管理辦法》) which was promulgated on June 1, 2011 (the "Effective Measures For Leverage Ratio"), putting forward clearer and stricter requirements on leverage ratio disclosure by commercial banks.

LOAN CLASSIFICATION, ALLOWANCE AND WRITE OFFS

Loan Classification

At present, according to the Guidelines on Loan Risk Classification (《貸款風險分類指引》), banks in China should classify the loans by judging the possibility that the debtors could repay in full the loan principals and interests timely in accordance with the five-category loan classification system. The five-category loan classification refers to "normal", "special mention", "substandard", "doubtful" and "loss". The main factors of evaluating the possibility of repayment include the cash flow, financial condition, and other non-financial factors that affect the loan repayment ability of borrowers.

Loan Loss Provision

According to the Guidelines of Loan Risk Classification (《貸款風險分類指引》), loans categorized as subordinated, doubtful or loss would be regarded as non-performing loan, for which commercial banks shall prudently consider possible loss and reasonably estimate the provisions.

According to the Guidelines on Loan Loss Provisioning of Banks (《銀行貸款損失準備計提指引》), provisions for impairment loss include general provision, specific provision and special provision. General provision refers to provision that is put aside according to certain proportion of all loan balance and is to make up unrecognized possible losses. In accordance with the Guidelines of Loan Risk Classification (《貸款風險分類指導原則》), after the risk classification of loans, specific provision refers to provision that is set aside for specific losses based on loss severity of each loan. Special provision refers to provision set aside aiming at a certain country, region, industry or type of loan risk. On the basis of the Guidelines on Loan Loss Provisioning of Banks, commercial banks shall set aside general provision for loan loss every quarter. In addition, the balance of general provision at the end of year shall be no less than 1% of total outstanding loans at the same time. The Guidelines also guides the proportion of specific provision for each loan category as follows: 2% for special mentioned loan; 25% for substandard loan; 50% for doubtful loan; and 100% for loss loan. For the loss provisions for substandard and doubtful loans, the proportion can fluctuate up or down in a range of 20%. Commercial banks can set aside special provision based on special risk factors (including risks relating to some industries and countries), the probability of risk loss and the past experience.

According to the Management Measures on the Loan Loss Provision of Commercial Banks (《商業銀行貸款損失準備管理辦法》) issued on July 27, 2011 by the CBRC and entered into force on January 1, 2012, the adequacy ratio of commercial banks' loan loss provision is evaluated by two indicators, allowance to total loans and allowance to non-performing loans, of which the basic standards are 2.5% and 150% respectively. The higher of the two is the supervision standard. The Board of Directors of commercial banks is ultimately responsible for management of loan loss provision. Systematically important banks shall reach the standards by the end of 2013. Non-systematically important banks shall reach the standards by the end of 2016, and if they fail to meet the standard, they shall formulate plans of reaching the standard and report to the CBRC, and the standards shall be reached by the end of 2018 at the latest.

Supervision of the CBRC over Loan Classification and Loan Loss Provision

Commercial banks shall formulate detailed internal procedures and clearly specify relevant departments' responsibilities in works including loan classification, examination and approval and review, etc. In addition, commercial banks shall regularly submit quarterly report and annual report of loan classification and loan loss provision to the CBRC. Based on examination on the above-mentioned reports, the CBRC can require commercial banks to explain any major changes of their loan classification and loan loss provision level, or conduct further investigation. According to the Loan Loss Provision Management Measures (《商業銀行貸款損失準備管理辦法》), for commercial banks failing to reach regulatory standards of loan loss provision for continuous three consecutive months, the CBRC may give them risk warning and propose request rectification. For commercial banks fail to meet regulatory standards for six consecutive months, the CBRC can apply certain supervision measures based on the PRC Banking Supervision and Regulatory Law.

Loan Write-offs

According to the regulations issued by the CBRC, the PBOC and the MOF, commercial banks should establish strict loan loss write-off audit and approval system. Loans that fail to meet the standards stipulated by the MOF are not allowed to be written-off. The loss from the loan write-offs are tax deductible, but it must be reviewed and approved by the tax authorities, so as to determine whether the loan write-offs are in compliance with the standards set by the MOF.

Bulk Transfer of Non-performing Assets

On January 18, 2012, the MOF and the CBRC issued the Management Measures on the Bulk Transfer of Non-performing Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》). It stipulated that financial enterprise can make bulk transfer of the non-performing credit assets and non-credit assets formed during the process of operation. Assets that can be transferred mainly include: substandard, doubtful and loss loan identified according to the stipulated standards; written-off account recorded assets; mortgage asset and other non-performing assets.

Reserves for Impairment Loss and Statutory General Reserve

On March 30, 2012, the MOF issued the Management Measures on the Provisioning by Financial Institutions (《金融企業準備金計提管理辦法》), which came into force on July 1, 2012. The MOF also abolished the Management Measures on the Withdrawal of Reserves for Non-performing Loans of Financial Enterprises (《金融企業呆帳準備提取管理辦法》). Based on the Management Measures on the Provisioning by Financial Institutions, the statutory general reserve shall be increased to no less than 1.5% of the total amount of risk assets on the balance sheet date. Financial enterprises who have adopted the standardized approach to calculate statutory general reserve shall temporarily use the following standard credit assets risk coefficients: normal loan at 1.5%; special mentioned loan at 3%; substandard loan at 30%; doubtful loan is 60%; loss loan at 100%. If the financial enterprise's proportion of general reserve balance to the closing balance of risk assets is difficult to reach 1.5% in one year, the general reserve balance could be withdrawn annually, but in principle the time needed should be no longer than 5 years.

DEPOSIT INSURANCE SYSTEM AND DEPOSIT DEVIATION MANAGEMENT

Deposit Insurance System

According to the Ordinance of Deposit Insurance (《存款保險條例》) issued by the State Council on March 31, 2015 and effective on May 1, 2015, all Chinese financial institutions that accept deposit (excluding branches of foreign banks) are subject to the newly established deposit insurance system. If the financial institution is closed down, each depositor of the bankrupted financial institution which accepts deposit will receive maximum deposit protection of RMB 500,000. Within this limit, the depositor is fully protected (including the principal and accrued interest of deposit denominated in RMB or foreign currency).

The financial institution which accepts deposit shall pay premiums, including unit premiums and risk premiums. Premium structures shall be determined by deposit insurance agencies approved by the State Council. The premium should be paid every six months. Deposit insurance funds shall be kept at the PBOC or invest in PRC government bonds, the PBOC notes or high-rating bonds.

Deposit Deviation Management

On September 11, 2014, General Office of the CBRC, General Office of the MOF and General Office of the PBOC jointly issued the Notice on Relevant Issues of Strengthening the Management of Deposit Deviation (《關於加強商業銀行存款偏離度管理有關事項的通知》), which established deposit deviation indicators to limit the action of commercial banks to artificially increase deposits just before time-point assessment. Deposit deviation at the end of the month shall not be higher than 3%. Deposit deviation at the end of the month = (total deposits on the last day of the month – average daily deposit of the month) / average daily deposit of the month × 100%. The CBRC and its local offices are in charge of the daily statistical monitoring for deposit fluctuation of commercial banks, and corresponding measures of correction and penalty will be adopted depending on the severity: (i) regulatory agencies at all levels shall establish statistical monitoring system for the deposit fluctuation of commercial banks; close tracking, timely notification and correction shall be adopted for deposits with significant abnormal activities; (ii) as for banks whose deposit deviation at the end of the month is higher than 3%, approval-required matters shall be suspended for at least three consecutive months from the next month; in the case that deposit deviation at the end of the month is higher than 3% occurs twice in one year, the annual supervisory rating of the bank shall be lowered correspondingly. For banks whose deposit deviation at the end of the month is higher than 4%, regulatory institutions shall suspend part of their business and the growth of assets with deviation over 90 days for more than three consecutive months from the next month; in addition, those banks are required to increase the proportion of stable deposits for at least three consecutive months from the next month; the basis of the increase is the proportion of stable deposits of that month; the proportion of the increase should be the part of deposit deviation at the end of the month which is higher than 4%. Stable deposit proportion = deposits whose remaining term is over 90 days / all deposits × 100%; (iii) regulatory institutions at all levels are responsible for the supervision and guidance for commercial banks to include deposit deviation at the end of the month into performance appraisal system as point-deducting item; points of performance appraisal should be deducted according to the severity of the violation; and (iv) if regulatory institutions at any level discovers that a commercial bank violates the provisions of this Notice, regulatory measures shall be adopted based on the rules of prudent operation violation and relevant regulations of the PRC Banking Supervision and Regulatory Law.

OTHER OPERATION AND RISK MANAGEMENT RATIOS

The Core Indicators (Provisional) issued by the CBRC has come into force since January 1, 2006.

The table below sets forth the required ratio of Core Indicators (Provisional) and the ratios of the Bank as of December 31, 2012, December 31, 2013, December 31, 2014 and September 30, 2015 respectively calculated based on PRC GAAP. The calculation approach is the same as we submitted to the CBRC / its local office. We also set out part of the important indicators stipulated in other relevant regulatory requirements of the CBRC in the following table and notes. Please refer to "Financial Information—Capital Resources—Capital Adequacy" for details regarding our capital adequacy ratio:

				Rate of the Bank(%)			
				As of or for the year ended December 31			As of or for the nine months ended September 30
Risk level	**First grade indicator**	**Secondary indicator**	**Requirement (%)**	**2012**	**2013**	**2014**	**2015**
Risk level							
Liquidity risk	Liquidity ratio[(1)]	RMB	≥25	34.19	42.82	48.56	50.32
		Foreign currency		73.17	62.06	22.50	49.73
	Core liabilities ratio[(2)]		≥60	43.05	45.92	—	—
	Liquidity gap ratio[(3)]		≥-10	-19.35	-10.46	—	—
	Loan-to-deposit ratio[(4)]		≤75	68.14	67.77	68.63	66.11
Credit risk	Non-performing assets ratio[(5)]		≤4	0.21	0.28	0.35	0.44
		Non-performing loan ratio[(6)]	≤5	0.46	0.64	0.89	1.22
	Single group client credit concentration[(7)]		≤15	10.21	8.51	7.32	12.67
		Loan concentration of Single client[(8)]	≤10	3.37	7.44	7.01	6.70
	Generalized correlation ratio[(9)]		≤50	4.11	2.84	2.29	2.25
Market risk	Cumulative open position ratio of foreign currency[(10)]		≤20	0.14	0.11	0.10	0.12
Risk compensation							
Profitability	Cost-to-income ratio[(11)]		≤45	31.04	32.12	28.40	24.80
	Return on assets[(12)]		≥0.6	1.28	1.19	0.87	1.02
	Return of equity[(13)]		≥11	20.20	20.55	16.64	20.95
Adequacy ratio of allowance	Allowance to total loans[(14)]		≥2.5 (by the end of 2016)	1.96	2.11	2.59	2.77
	Allowance to non-performing loans[(15)]		≥150 (by the end of 2016)	421.60	329.21	292.89	227.53
	Adequacy ratio of asset loss reserve[(16)]		>100	535.09	487.96	468.85	N/A[(18)]
		Adequacy ratio of loan loss reserve[(17)]	>100	581.36	513.09	483.68	N/A[(18)]

Notes:

(1) Liquidity ratio = current assets / current liabilities × 100%. Current assets include cash, gold, excess reserves, net amount of inter-bank asset side after the netting of current account due in or less than one month, interest receivables or other payment receivables due within in one month, eligible loans due within one month, bond investments due within one month, bond investments able to be liquidated at any time in domestic or international secondary market and other assets able to be liquidated within one month (excluding non-performing assets). Current liabilities include: demand deposits (excluding fiscal deposits), fixed time deposits due within one month (excluding fiscal deposits), net amount of debtor after the netting of inter-bank transaction payments due within one month, issued bonds due within one month, interests payables and account payables due within one month, borrowings from the PBOC due within one month and other liabilities due within one month.

(2) Core liabilities ratio=core liabilities/total liabilities×100%.Core liabilities refer to the total of time deposit with remaining maturities of three months or longer, issued debt securities and the stable part of demand deposit. Total liabilities refer to total liabilities on the balance sheet prepared under PRC GAAP.
(3) Liquidity gap ratio=liquidity gap/on-or off-balance sheet assets with maturities of 90 days or less×100%. Liquidity gap refers to the balance of on-or off-balance sheet assets with maturities of 90 days or less minus the balance of on-or off-balance sheet liabilities with maturities of 90 days or less.
(4) Loan-to-deposit ratio = loan balance / deposit balance × 100%. Decision of the Standing Committee of the National People's Congress on Amending the Law of the People's Republic of China on Commercial Banks (《全國人民代表大會常務委員會關於修改〈中華人民共和國商業銀行法〉的決定》) was approved in the Sixteenth Meeting of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on August 29, 2015 and has come in force since October 1, 2015. According to the Decision, Item 2, Paragraph 1, Article 39, "the ratio between the balance of loans and the balance of deposits must not exceed 75%" and the "loan-deposit ratio" in Item 3, Article 75 of the PRC Commercial Banking Law have been deleted.
(5) Non-performing assets ratio = Non-performing credit risk assets / credit risk assets × 100%. Non-performing credit risk assets include non-performing loans and other credit risk assets classified as non-performing category. Credit risk assets apart from loans will be classified according to relevant CBRC rules.
(6) Non-performing loan ratio = the amount of non-performing loan / loan × 100%. In accordance with the five-level loan classification system formulated by the PBOC and the CBRC, non-performing loan refers to substandard loan, doubtful loan and loss loan.
(7) Single group client credit concentration = the net amount of credit of the largest group client / net capital × 100%. The largest group client refers to the group client with the highest closing credit amount at the end of the relevant period.
(8) Loan concentration of Single client = total loan amount of the largest client / net capital × 100%. Total loan amount of the largest client refers to the total loan amount of the client with the highest closing outstanding loan at the end of the relevant period.
(9) Generalized correlation ratio = the total amount of credit of all related parties / net capital × 100%. Related party refers to the related party defined in Measures for the Management of Related Transactions between Commercial Banks and Insiders and Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》). The total amount of credit of all related parties refers to the amount of credit amount of all related parties after the deduction of margin deposits for security, pledged bank receipt and bonds issued by the PRC government provided by related parties at the time of credit and amount of China national debt.
(10) Cumulative open position ratio of foreign currency = cumulative open position of foreign currency / net capital × 100%. Cumulative open position of foreign currency refers to exchange rate-sensitive foreign currency assets minus exchange rate-sensitive foreign currency liabilities.
(11) Cost-to-income ratio = (operating expenses – business tax and surcharges) / net operating income × 100% (expression used in the CBRC's off-site regulatory report manual).
(12) Return on assets = after-tax profits / average balance of total assets × 100% × annualized coefficient (expression used in the CBRC's off-site regulatory report manual).
(13) Return of equity= after-tax profit / (owners' equity + minority equity) average balance × 100% × annualized coefficient, average balance refers to: (opening balance + closing balance) /2.
(14) Allowance to total loans = reserve balance of loan loss / total amount of loans. According to the regulations of Guidance of the China Banking Regulatory Commission on the Implementation of New Regulatory Standards by China's Banking Sector (《中國銀行業監督管理委員會關於中國銀行業實施新監管標準的指導意見》), allowance to total loans shall not be lower than 2.5%, and allowance to non-performance loans shall not be lower than 150%. In principle, regulatory requirements for loan loss reserve of banking financial institutions are determined by which one of the two numbers is higher. The indicator shall be reached by the end of 2016, according to the regulations.
(15) Allowance to non-performing loans = reserve amount of loan loss /total amount of non-performing loan. According to Guidance of the China Banking Regulatory Commission on the Implementation of New Regulatory Standards by China's Banking Sector, allowance to total loans shall not be lower than 2.5%, and allowance to non-performing loans shall not be lower than 150%. In principle, regulatory requirements for loan loss reserve of banking financial institutions are determined by which one of the two numbers is higher. The indicator shall be reached by the end of 2016, according to the regulations.
(16) Adequacy ratio of asset loss reserve = actual reserves of credit risk assets / required reserves of credit risk assets × 100%.
(17) Adequacy ratio of loan loss reserve = actual reserve of loans / required reserves of loans × 100%.
(18) According to Notice of China Banking Regulatory Commission on 2015 Off-site Regulatory Report (《中國銀監會關於2015年非現場監管報表的通知》), the CBRC is no longer monitoring the two indicators of adequacy ratio of asset loss reserve and adequacy ratio of loan loss reserve from January 1, 2015.

According to the Core Indicators (Provisional), the CBRC may carry out analysis based on data submitted by commercial banks and give risk warning to the banks. Where no supervising regulations are provided for the ratios, the Core Indicators (Provisional) defines several other ratios, including risk sensitivity of relevant interest rate and ratios of operating risk and loan migration rate. The CBRC may formulate regulations for those ratios in the future.

As of December 31, 2012, December 31, 2013, our core liabilities ratio was 43.05% and 45.92%, which did not meet the relevant core liabilities ratio requirement under the Core Indicators (provisional). As of December 31, 2012, December 31, 2013, our liquidity gap ratio was -19.35% and -10.46%, which did not meet the liquidity gap ratio requirement under the Core Indicator (provisional).

As advised by Zhejiang T&C law firm, our PRC legal advisor, the Core Indicators (provisional) have not set out any penalties for non-compliance with the required core liabilities ratio and liquidity gap ratio. As set out in the Core Indicators (provisional), the Core Indicators do not constitute the direct basis for administrative penalties, unless otherwise specified in laws, administrative regulations and regulatory rules. In addition, failing to satisfy these two ratios does not necessarily lead to any direct and material liquidity risks. Pursuant to the Administrative measures on the Liquidity Risk of Commercial Banks(trial) (《商業銀行流動性風險管理辦法（試行）》) issued by the CBRC on January 17, 2014, which became effective on March 1, 2014, core liabilities ratio and liquidity gap ratio are no longer treated as regulatory indicators.

CORPORATE GOVERNANCE AND INTERNAL CONTROL

Corporate Governance

The PRC Company Law, the PRC Commercial Banking Law, and other laws, regulations and policy documents have made clear requirements for corporate governance. Among them, the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) issued by the CBRC on July 19, 2013 requires that commercial banks shall establish comprehensive corporate governance system and have clear governance structures. The management and supervision powers, functions and responsibilities of the Board of Directors, the Board of Supervisors and the senior managers shall be clarified. The guidelines also require commercial banks to abide by the principles of independent operation, effective checks and balances, mutual cooperation and coordinated operation and establish reasonable incentive and restraint mechanisms in order to achieve rationality and efficiency in decision-making, execution and supervision.

As for the composition of the Board of Directors, according to the Guidelines on the Discharge of Duties of the Board of Directors of Joint-stock Commercial Banks (trial) issued by the CBRC (《股份制商業銀行董事會盡職指引（試行）》), commercial banks whose registered capital is over RMB1 billion shall appoint at least three independent directors. As for the composition of the Board of Supervisors, according to the Guidelines on Discharge of Duties of the Board of Supervisors of Commercial Banks issued by the CBRC (《商業銀行董事會工作指引》), the proportion of staff supervisors and external supervisors of commercial banks shall not be lower than one third. In addition, the Guidelines on Independent Director and External Supervisor System of Joint-stock Commercial Banks (《股份制商業銀行獨立董事和外部監事制度指引》) stipulates that there should be at least two independent directors in the Board of Directors and at least two external supervisors in the Board of Supervisors of commercial banks. According to the Evaluation Measures on the Performance of Directors of Commercial Banks (trial) (《商業銀行董事履職評價辦法（試行）》), commercial banks shall conduct evaluation for the performance of directors based on laws, regulations and relevant rules. Based on the Guidelines on the Supervision of Steady Compensation of Commercial Banks (《商業銀行穩健薪酬監管指引》), commercial banks shall establish compensation mechanisms in line with personnel training and risk control.

Internal Control

According to the Guidelines on the Internal Control of Commercial Banks (《商業銀行內部控制指引》) issued by the CBRC on July 3, 2007 and amended on September 12, 2014, commercial banks must establish internal control and ensure effective risk control for business and activities. Commercial banks should establish internal control governance and organization structure consist of the Board of Directors, the Board of Supervisors, senior management, internal control functional departments, internal audit departments and operating departments that have rational division of labor, clearly defined responsibilities and clear reporting lines. The Board of Directors shall appoint designated departments to implement banking internal control evaluation.

On June 27, 2006, the CBRC issued the Guidelines on the Internal Audit for Banking Financial Institutions (《銀行業金融機構內部審計指引》), which took effective on July 1, 2006. According to the Guidelines, the Board of Directors of commercial banks should set up an Audit committee which shall at least have three members and most of which shall be non-executive directors. Banks shall also establish an audit department consists of qualified professional staff. In principle, the number of such staff should be 1% of the total number of employees of the bank. The Guidelines specify the requirements for the scope of internal audit department. Every year, the bank shall carry out at least one audit for the risk of each business unit and shall conduct at least one internal audit for each business unit every two years. The number of the Bank's staff performing audit function is based on the need of risk management. As of September 30, 2015, the Bank has 76 internal audit staff, approximately 1% of the total number of the Bank's employees.

On May 22, 2008, the MOF, the CBRC, the NAO, and China Securities Regulatory Commission jointly issued the Basic Norms for Internal Control of Enterprises (《企業內部控制基本規範》) (effective since July 1, 2009), which requires enterprises to establish internal control systems and to organize the implementation, to use information technology to strengthen internal control and set up information systems in line with its operating management.

In accordance with the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), commercial banks must set up and improve internal control responsibility systems. The Board of Directors and senior management shall take responsibilities of different levels for the effectiveness of internal control and be responsible for heavy losses caused by failures of internal control. Besides, the Board of Supervisors is in charge of supervising directors and senior management, improving internal control systems and rules and performing supervision duty of internal control. Commercial banks should establish relatively independent monitoring and evaluating departments for internal control, which shall effectively supervise and evaluate the establishment and implementation of internal control. Such departments can report directly to the Board of Directors, the Board of Supervisors and senior management about the establishment and implementation of internal control.

Information Disclosure Requirements

According to the Measures on the Information Disclosure of Commercial Banks (《商業銀行信息披露辦法》) issued by the CBRC on July 3, 2007 and the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) issued on July 19, 2003, a Chinese commercial bank shall disclose its annual reports (including audited financial report) within four months after the end of each fiscal year to disclose its financial conditions and operation results. The Board of Directors is responsible for the information disclosure of the commercial bank. Information disclosure documents include periodic reports, interim reports and other relevant materials. A commercial bank shall disclose its information by means of annual report and Internet, etc. to enable shareholders and other stakeholders to obtain the disclosed information in a convenient and timely matter. The information disclosure of listed banks shall at the same time meet relevant requirements of the securities regulators.

Related Party Transactions

On April 2, 2004, the CBRC issued the Management Measures on Related Party Transactions between Commercial Banks and Insiders and Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》), which strictly stipulates the requirements on related party transactions of Chinese commercial banks. Such Measures require Chinese commercial banks to observe the principles of honesty and fairness in the process of related party transactions. Chinese commercial banks are not allowed to provide unsecured loans to related parties. Based on PRC laws and regulations, commercial banks shall conduct related party transactions following business principles, and the terms of the transactions shall not be superior to similar transactions of non-related parties. Such measures also make detailed stipulations for the identification standard of related party, form and content of related party transactions, procedures and principles which should be observed in related party transactions. According to the Measures, commercial banks should report to the CBRC each quarter about the status of transactions with related parties and disclose relevant related parties and related party transactions in the notes of financial statement. In addition, the Board of Directors of a commercial bank shall make special report to the shareholder's general meeting every year in terms of the implementation of the related party transaction management system and the status of related party transaction. The CBRC is entitled to take corresponding measures against relevant banks and / or related parties, including making orders for correction of irregularities, restricting shareholder rights, ordering shareholders to transfer equity, requiring adjustment of directors or senior management and fines.

The Bank has established Risk and Related Party Transaction Control Committee for the Board of Directors and has developed relevant procedures. Related party transactions were approved based on established procedures, relevant laws and regulations.

RISK MANAGEMENT

Since the establishment of the CBRC, apart from guidelines for loans and credit of several specified industries and clients and relevant measures for the implementation of Basel Accords, the CBRC has issued several guidelines and regulations for risk management, including operational risk management, market risk management, compliance risk management, liquidity risk management and supervision rating system, etc. The purpose was to improve the risk management of Chinese commercial banks. As for relevant guidelines for loans and credit of several specified industries and clients and relevant measures for the implementation of Basel Accord, see "—Regulation on Major Business of Commercial Banks—Loans", and "—Supervision Over Capital Adequacy—Basel Accords". The CBRC also issued the Core Indicators (Provisional) as the basis for the supervision of risk management of Chinese commercial banks. The CBRC has set up several risk level categories and risk reserve simulation ratios in the Core Indicators (Provisional), and it is expected to formulate several ratios related to the reduction of risk in order to evaluate and supervise the risk of Chinese commercial banks. See "—Other Operation and Risk Management Ratios". By means of off-site supervision, the CBRC regularly collects data to analyze such indicators for timely evaluation and make risk warning in advance.

Operational Risk Management

On March 22, 2005 the CBRC issued the Notice on Increasing the Efforts on Preventing Operational Risk (《關於加大防範操作風險工作力度的通知》) to further increase the abilities of Chinese commercial banks to identify, manage and control operational risk. The following detailed stipulations are included in the Notice: the system of regular work shift and mandatory vacation for basic level supervisors in charge of business operation needs to be established; a system which promote employees to fully observe applicable laws and regulations and internal rules and policies should be established; regular check for account balance of Chinese commercial banks and its clients should be strengthened; timely check for internal accounting of the bank shall be improved; personnel for account keeping and account checking should be different; and systems for strictly control and manage of stamp, authentication and vouchers should be set up.

In addition, on May 14, 2007, the CBRC issued the Guidelines on Operational Risk Management of Commercial Banks (《商業銀行操作風險管理指引》) to improve the risk management ability of Chinese commercial banks. The Guidelines mainly stipulates the supervision and control of Board of Directors, responsibilities of senior management, appropriate organizational structure and polices, methods and procedures of operational risk management and required capital reserve for operational risk. Such policies and procedures shall be filed at the CBRC. For commercial banks who fail to take effective corrective actions against major operational risk events, the CBRC will take corresponding regulatory measures.

Market Risk Management

On December 29, 2004, the CBRC issued the Guidelines on Market Risk Management of Commercial Banks (《商業銀行市場風險管理指引》), which took effect on March 1, 2005, to strengthen market risk management of Chinese commercial banks. The Guidelines stipulated: (i) the responsibilities of the Board of Directors and senior management in terms of management and supervision of market risk; (ii) policies and procedures of market risk management; (iii) identification, quantification, supervision and control of market risk; (iv) responsibilities of internal control and external audition; and (v) appropriate market risk capital allocation mechanism. According to the Guidelines, commercial banks shall formulate official written policies and procedures to manage market risk.

Compliance Risk Management

For the purpose of improving the compliance risk management of commercial banks and maintaining the safety and stability of Chinese commercial banks' operation, the CBRC issued the Guidelines on Compliance Risk Management of Commercial Banks (《商業銀行合規風險管理指引》) on October 20, 2006, clarifying the responsibilities of Board of Directors and senior management of Chinese commercial banks in terms of management of compliance risk and standardizing the organizational structure of compliance risk management and specifying the regulatory mechanism of risk management of a bank.

Liquidity Risk Management

On January 17, 2014 the CBRC issued the Management Measures on the Liquidity Risk Management of Commercial Banks (trial) (《商業銀行流動性風險管理辦法（試行）》) which has been put into effect since March 1, 2014. The Measures mainly stipulate: (i) the Board of Directors, senior management, Board of Supervisors and designated department in charge of liquidity risk management of a commercial bank shall be responsible for the management of liquidity risk; (ii) strategies, policies and procedures of liquidity risk management; (iii) identification, quantification, supervision and control of liquidity risk; and (iv) calculation method for liquidity coverage, loan to deposit ratio and liquidity ratio, and it is also stipulated that the liquidity coverage of Chinese commercial banks shall reach 100% by 2018. According to the Measures, the CBRC shall use liquidity risk supervision indicators and monitoring indicators to conduct supervision and management of the liquidity risk level and management status of commercial banks. Among them, loan to deposit ratio and liquidity ratio are liquidity risk supervision indicators, and liquidity gap ratio and core debt ratio are the monitoring indicators of liquidity risk.

On June 30, 2014, the CBRC issued the Notice of China Banking Regulatory Commission on the Adjustment of Calculation Approach for the Loan to Deposit Ratio of Commercial Banks 《中國銀監會關於調整商業銀行存貸比計算口徑的通知》), which stipulates that the calculation approach for loan to deposit ratio shall be adjusted from July 1, 2014.

On August 29, 2015, Decision of the Standing Committee of the National People's Congress on Amending the Law of the People's Republic of China on Commercial Banks (《全國人民代表大會常務委員會關於修改〈中華人民共和國商業銀行法〉的決定》) was approved in the Sixteenth Meeting of the Standing Committee of the Twelfth National People's Congress of the People's Republic of China on August 29, 2015 and has come into force since October 1, 2015. According to the Decision, Item 2, Paragraph 1, Article 39, "the ratio between the balance of loans and the balance of deposits must not exceed 75%" and the "loan to deposit ratio" in Item 3, Article 75 of the PRC Commercial Banking Law have been deleted.

On September 2, 2015, the CBRC revised Rules on Liquidity Risk Management of Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》) and promulgated Rules on Liquidity Risk management of Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》) (CBRC Order 2015 No. 9). The rules were implemented since October 1, 2015. The revision, based on the amendment of the PRC Commercial Banking Law, deleted the requirement that "loan-to-deposit ratio of commercial banks should not be higher than 75 percent" in Article 38 of original rules and added Article 46 to the liquidity risk monitoring part which stipulates that: the CBRC should continuously monitor the changes in the loan-to-deposit ratio of commercial banks; when the substantial fluctuation, rapid or continuous and unidirectional changes in the loan-to-deposit ratio of commercial banks occur, the CBRC should assess the causes and analyze the risk status of commercial banks reflected in time to warn the risk or require the commercial banks to take relevant measures when necessary.

Information Technology Risk Management

On march 3, 2009, the CBRC issued the Guidelines on Information Technology Risk Management in Commercial Banks (《商業銀行信息科技風險管理指引》). The guidelines have explicit requirements on information technology governance, information technology risk management, information security, information technology system development, test and maintenance, information technology operation, business continuity management, outsourcing, internal and external audit. It also provides that the objectives of information technology risk management shall be the identification, measurement, monitoring and control information technology risks of commercial banks by setting up effective measures to enhance safe, continual and steady operation of commercial banks, to facilitate business innovation, to promote the use of information technology and to improve their core competitiveness and sustainable development.

On February 16, 2013, the CBRC issued Regulatory Guidelines for Information Technology Outsourcing Risk of Banking Financial Institutions (《銀行業金融機構信息科技外包風險監管指引》) to further regulate the information technology outsourcing activities of banking financial institutions, so as to reduce the information technology outsourcing risk.

On September 3, 2014, the CBRC issued the Guiding Opinions on the Use of Secure and Controllable Technology by Banking Industry to Strengthen Internet Security and Information System Construction (《關於應用安全可控信息技術加強銀行業網路安全和信息化建設的指導意見》). The Opinions require banking financial institutions to: (i)improve information technology governance structure; (ii)strengthen information system structure; (iii)prioritize the use of secure and controllable technology; (iv)promote the independent development capability of information technology; (v)actively participate in the research and development of secure and controllable technology; and (vi)strengthen intellectual property rights protection.

Risk Management of Other Aspects

In addition to the above, the CBRC issued a number of other risk management guidelines, including the Guidelines on the Management of Reputational Risk of Commercial Banks (《商業銀行聲譽風險管理指引》), the Guidelines on the Management of Bank Account Interest Rate Risk of Commercial Banks (《商業銀行銀行帳戶利率風險管理指引》), the Guidelines on the Management of Information Technology Risks of Commercial Banks (《商業銀行信息科技風險管理指引》) and the Guidelines on the Management of Country Risk of Banking Financial Institutions (《銀行業金融機構國別風險管理指引》), etc. to strengthen the risk management of commercial banks in those fields.

Regulatory Rating System

All Chinese joint-stock commercial banks are subject to the evaluation conducted by the CBRC based on Internal Guidelines for the Supervision of Commercial Banks (trial) (《商業銀行監管評級內部指引（試行）》) issued on December 30, 2005. Based on that system, the capital adequacy ratio, asset quality, management quality, profitability and liquidity of joint-stock commercial banks and market risk exposure faced by joint-stock commercial banks are subject to continuous assessment and scoring of the CBRC. Each bank will be classified as one of the six regulatory rating categories according to its score. The rating results will be used as the basis for regulatory institutions to carry out special supervision and to take legal regulatory measures.

OWNERSHIP AND RESTRICTIONS OF SHAREHOLDERS

Regulation on Equity Investment by Banks

If a natural person or legal person intends to acquire 5% or more of the equity of a joint-stock commercial bank, prior approval of the CBRC should be obtained. The CBRC may, depending on the specific circumstances, apply regulations in relation to qualification review on major shareholders of small and middle size commercial banks when reviewing the applications. If any existing shareholders of the joint-stock commercial bank increases his equity to higher than the limit of 5% without prior approval of the CBRC, the shareholder may be subject to sanctions by the CBRC or its local offices, which includes (but is not limited to) correction of such misconduct, confiscation of illegal gains (if any) or fines.

According to the Management Measures on Overseas financial institutions to Invest in Chinese-funded Financial Institutions (《境外金融機構投資入股中資金融機構管理辦法》), with the approval of the CBRC, overseas financial institutions satisfying a number of conditions may invest in Chinese commercial banks or hold its shares. However, the shareholding of a single overseas financial institution shall not exceed 20% of the bank's total capital. Besides, if the proportion of the total amount of foreign investment is more than 25% of the total equity capital of a non-listed commercial bank in China, such bank will be regulated as a foreign invested bank. As for listed Chinese commercial banks, even when the foreign shareholding is higher than 25% of the total equity capital, such banks would be regulated as Chinese-funded financial institution.

Restrictions on Shareholders

The Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》) stipulates a number of other provisions on shareholders of commercial banks. For example, shareholders, especially major shareholders, shall support the Board of Directors to develop a reasonable capital planning to ensure the capital of commercial banks continuously meet the supervision requirements. When commercial banks cannot meet the supervision requirements, it is necessary to develop capital replenishment plan to ensure that capital adequacy ratio meets supervision requirements within the time limit. If supervision requirements cannot be satisfied within the time limit, dividends should be reduced or stopped, and capital should be replenished by increasing core capital and other measures. Major shareholders shall not impede other shareholders of the commercial bank to replenish capital or qualified new shareholders to enter the bank. If shareholders of Chinese commercial banks cannot repay the loan balance before the time limit, their right to vote will be restricted during the period.

In addition, the PRC Company Law and relevant rules and regulations of the CBRC implement a number of restrictions on the shareholders of commercial banks in terms of their ability to pledge shares. For instance, commercial banks shall not accept their own shares as collateral. In accordance with the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Articles of Associations of Commercial Banks shall stipulate the following terms: (i) any shareholder of a commercial bank must give prior notice to the Board of Directors of the bank if it wishes to pledge its shares as collateral; and (ii) where the balance of loans extended by a commercial bank to its shareholder is higher than the audited equity of the previous year held by the shareholder, the shareholder cannot pledge the stock of the bank as collateral. In November 2013, the CBRC issued the Notice of China Banking Regulatory Commission on Strengthening the Management of Equity Pledge of Commercial Banks (《中國銀監會關於加強商業銀行股權質押管理的通知》), which stipulates that apart from above-mentioned Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), commercial banks shall clarify in their articles of associations the following content: (i) when a shareholder who holds a seat of director and supervisor of the bank, or a shareholder (or shareholders) who directly, indirectly, jointly hold or control more than 2% of the bank's shares or voting rights pledges the shares of the bank, it is necessary for the shareholder to apply to the Board of Directors and explain the reason of the pledge, the amount of shares involved, pledge duration, pledgee and other basic information. If the Board of Directors considers that the pledge could bring significant negative influence for equity stability, company governance and control for risk and related party transactions for the bank, the pledge shall not be approved. The director(s) nominated by a shareholder proposing to pledge his share in the bank shall abstain from voting at the meeting of the Board of Directors at which such pledge proposal is considered; (ii) once registration of equity pledge is completed, the shareholder(s) shall, for the needs of risk control and information disclosure of the bank, provide the bank with the relevant information of pledged equity in a timely manner; and (iii) if the pledged shares reaches or exceeds 50% of the bank's shares owned by the shareholder, the voting rights of the shareholder in shareholders' general meeting or the voting rights of the director(s) designated by the shareholder in the meeting of the Board of Directors shall be subject to restrictions.

ANTI-MONEY LAUNDERING REGULATIONS

Law of the People's Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》) issued on October 31, 2006 and came into effect since January 1, 2007 stipulates the responsibilities of relevant financial regulatory authorities in terms of anti-money laundering, including participating in the formulation of the anti-money laundering rules and regulations for financial institutions under its supervision and requiring financial institutions to establish sound internal control systems regarding anti-money laundering. In order to promote the implementation of the Law of the People's Republic of China on Anti-money Laundering, the PBOC issued provisions on Anti-Money Laundering for Financial Institutions (《金融機構反洗錢規定》) on November 14, 2006 (effective from January 1, 2007). Based on the Provisions, commercial banks shall establish internal anti-money laundering procedures and set up independent anti-money laundering department or appoint relevant department to carry out anti-money laundering program.

In accordance with the Management Measures on Large Transactions and Doubtful Transactions Reporting of Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》) issued by the PBOC on November 14, 2006 (and has come into force since March 1, 2007), once doubtful transactions or large transactions are discovered, Chinese commercial banks shall report relevant transactions to the Anti-money Laundering Information Center. Based on the Law of the People's Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》) and provisions on Anti-Money Laundering for Financial Institutions, the PBOC supervises and conducts on-site examinations of commercial banks' compliance with its anti-money laundering regulations and may impose penalties for any violations thereof. Based on the Management Measures on Client Identification and Client Identity Information and Transaction Records of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) jointed issued by the PBOC, the CBRC and the CSRC on June 21, 2007 (effective from August 1, 2007), commercial banks shall establish client identification system. Commercial banks should also record the identification of all clients and the data of relevant transactions to keep individual transaction records and documents.

OTHER PROVISIONS

Use of Funds

According to the PRC Commercial Banking Law, unless otherwise approved by relevant government authorities, commercial banks are not allowed to engage in trust investment, securities investment, real estate investment other than for their own use, or investment in non-bank financial institutions or enterprises. The use of funds by commercial banks is limited to the following:

- short-term, medium-term and long-term loans;
- acceptance and discounts on bills;
- inter-bank lending;
- buying and selling of government bonds;
- buying and selling of financial institution bonds;
- investment in banking financial institutions; and
- other uses approved by relevant government authorities.

With the approval of the CBRC and other relevant authorities, funds of commercial banks could be invested in domestic insurance companies, fund management companies and financial leasing companies based on relevant regulations.

Periodic Reporting Requirements

In accordance with Notice on the Official Operation of Off-site Supervision Information System from the Year of 2007 (《關於非現場監管信息系統2007年正式運行的通知》) issued by the CBRC on October 20, 2006, banking financial institutions shall submit relevant statements periodically to banking regulators, including basic financial information, credit risk, liquidity risk, capital adequacy ratio and other information. Among the statements required to be submitted by the Bank, data report of balance sheet items, liquidity ratio statement and other similar information should be submitted monthly; financial derivatives business statements, income statements, credit quality migration statements and other similar information should be submitted quarterly; profit repricing risk table shall be submitted semi-annually; profit distribution statement and other similar information shall be submitted annually.

Although the Bank will continue to submit periodic reports to relevant regulatory institutions, the Bank does not have any plan to disclose the date contained in those reports by means of public announcement after the global offering due to (i) financial information contained in relevant reports will not be disclosed to the public; and (ii) such financial information will not be audited.

Supervision and Approval of Shareholders

The Bank has obtained the approval from shareholders for preparation of the listing. See "Appendix VIII—Statutory and General Information—1. Further Information about our Bank—D. Resolution of our Shareholders". The Bank has also obtained all necessary Chinese regulatory approvals for preparation of the listing, including the approval from the CBRC on November 2, 2015 and the approval from the CSRC on January 18, 2016.

HISTORY

With the approval from the CBRC on June 30, 2004, our Bank was reorganized from the former Zhejiang Commercial Bank Ltd. (浙江商業銀行) by 15 legal entities as promoters (including Zhejiang Communication Investment Group Co., Ltd. (浙江省交通投資集團有限公司), China Wanxiang Holding Co., Ltd. (中國萬向控股有限公司) and Traveller Automobile Group (旅行者汽車集團有限公司)), and became one of the 12 nationwide joint-stock commercial banks approved by the CBRC. Our Bank is headquartered in Hangzhou, Zhejiang.

Zhejiang Commercial Bank Ltd., our predecessor, was established in Ningbo, Zhejiang in April 1993 as a sino-foreign joint-venture bank. It was jointly set up by Nanyang Commercial Bank (南洋商業銀行), Bank of China Zhejiang branch (中國銀行浙江省分行), Zhejiang International Trust Investment Company (浙江省國際信託投資公司) and Bank of Communications Ningbo branch (交通銀行寧波分行).

After the reorganization, we were registered at Zhejiang Provincial Administration for Industry and Commerce on July 26, 2004 and officially commenced business on August 18, 2004 in the name and logo of "China Zheshang Bank Co., Ltd. (浙商銀行股份有限公司)".

Since our establishment, we have established presence in Zhejiang and extended our geographical footprint to other parts of the country and strived to provide the society with high-quality and efficient financial services and achieved sustained development through our operations.

Significant events throughout our history of development are set out as below:

1993	The predecessor of our Bank, Zhejiang Commercial Bank Ltd., was established.
2004	We were reorganized and renamed as "China Zheshang Bank Co., Ltd."
	We were approved by SAFE to operate foreign exchange settlement business.
2005	We officially issued our first tranche of RMB wealth management products "Yongjin" (涌金).
	We officially issued our first debit card, the "Commercial Debit Card" (商卡).
2006	Hangzhou West sub-branch, our first specialized sub-branch which serves small and micro enterprises exclusively, commenced business
	Chengdu branch, our first branch outside of Zhejiang, commenced business.
2007	We were approved by the CBRC to operate derivatives trading business.
	We officially launched online banking, "Zheshang e Bank", the Small Enterprise Version of which was the first online banking service specially designed for small enterprises in the PRC.

2008	We obtained the license from the PBOC for lead underwriter for short-term commercial paper.
	We successfully issued the first small and medium enterprise collateralize loan obligation in the inter-bank bond market in the PRC.
2009	We successfully launched a new generation of counter business processing system and became the first bank successfully developed information systems and reengineered business processes based on enterprise-level service-oriented architecture (SOA) in the PRC.
2010	We formally launched our national unified telephone service number 95527.
	Our total assets exceeded RMB200 billion.
2014	We launched the comprehensive B2B e-commerce financial services platform.
	We successfully issued inter-bank deposit certificate in the inter-bank market, which is the first inter-bank deposit certificate of a nationwide joint-stock commercial bank after expansion of the scope of issuers.
	We were the first to launch the "Yongjin Bills Pool" ("涌金票據池"), which helped us to rapidly gain market share in the professional bill services sector.
2015	We officially released our "Zengjinbao" ("增金寶") product, which was an important initiative for the strategy of internet finance after the B2B e-commerce, WeChat banking, virtual outlet, direct-selling banking and the "Yongjin Bills Pool" ("涌金票據池").
	We officially released our "wisdom crowdfunding credit card" ("眾籌智慧信用卡"), which is designed based on the "internet plus" mindset.
	CCXI granted us the highest AAA corporate credit rating, which is the highest credit rating that CCXI has granted to a financial institution in China.
	According to the "Top 1000 World Banks 2015" released by the British magazine *The Banker*, we ranked 145 among the global banks in terms of total assets.
	Our total assets exceeded RMB1 trillion.

CHANGES TO REGISTERED CAPITAL

Immediately following the completion of the reorganization from Zhejiang Commercial Bank Ltd., our registered capital was RMB1,500,730,000. The changes to our registered capital since the reorganization are summarized as follows:

In 2008, our Bank issued 1,200,000,000 new Shares to 14 share subscribers as a result of which our Bank's registered capital increased from RMB1,500,730,000 to RMB2,700,730,000.

In 2009, our Bank issued 2,515,723,270 new Shares to 17 share subscribers as a result of which our Bank's registered capital increased from RMB2,700,730,000 to RMB5,216,453,270.

In 2010, our Bank issued 4,790,419,161 new Shares to 16 share subscribers as a result of which our Bank's registered capital increased from RMB5,216,453,270 to RMB10,006,872,431.

In 2013, our Bank issued 1,500,000,000 new Shares to Zhejiang Province Financial Development Company as a result of which our Bank's registered capital increased from RMB10,006,872,431 to RMB11,506,872,431.

In 2015, our Bank issued 3,002,824,347 new Shares to 16 share subscribers as a result of which our Bank's registered capital increased from RMB11,506,872,431 to RMB14,509,696,778. Such subscribers all have given undertaking not to transfer such newly issued shares for five years since August 31, 2015.

All the above-mentioned changes to the registered capital have gone through the alteration registration procedures of industry and commerce administration. There has been no change in the registered capital of our Bank since the capital increase in 2015.

ISSUANCE OF BONDS

In September 2006, with the approvals from the PBOC and the CBRC, we issued ten-year-term subordinated bonds in the aggregate principal amount of RMB700 million in the inter-bank bond market, which bear interest of 4.25% on an annual basis. If the bonds were not redeemed by the expiry of the first five-year period, the interest rate for the next five-year period will increase by three percentage points. These bonds were redeemed in full in 2011.

In May 2009, with the approvals from the PBOC and the CBRC, we issued ten-year-term subordinated bonds in the aggregate principal amount of RMB1,200 million in the inter-bank bond market, which bear interest on an annual basis. The annual interest rate for the first five years was fixed at 5.00%, and if the bonds were not redeemed by the expiry of the first five-year period, the interest rate for the next five-year period would increase by three percentage points. These bonds were redeemed in full in 2014.

In November 2011, with the approvals from the PBOC and the CBRC, we issued subordinated bonds in the aggregate principal amount of RMB3,250 million in the inter-bank bond market. The issuance comprises two types of subordinated bonds: the type A bonds are ten-year-term subordinated bonds in the aggregate principal amount of RMB1,500 million and the type B bonds are fifteen-year-term subordinated bonds in the aggregate principal amount of RMB1,750 million. We had the right to make appropriate reallocation between the planned issuance size of the two bonds types. Based on the final book-building results, we exercised the right of reallocation and reallocated all the bonds to type A. The final issuance size was RMB3,250 million bearing interest on an annual basis with the annual interest rate fixed at 6.50%. Upon the expiry of the first five-year period, we can exercise our right of redemption.

In September 2013 and March 2014, with the approvals from the PBOC and the CBRC, we issued financial bonds in the aggregate principal amount of RMB1,500 million and RMB4,500 million in the inter-bank bond market, respectively. The RMB1,500 million financial bonds have a term of five years and bear interest on an annual basis with a fixed annual interest rate of 5.00%. The RMB4,500 million financial bonds have a term of five years and bear interest on an annual basis with a fixed annual interest rate of 5.70%. Both bonds cannot be redeemed before maturity.

In December 2015 and February 2016, with the approvals from the PBOC and the CBRC, we issued financial bonds in the aggregate principal amount of RMB5,000 million and RMB10,000 million in the inter-bank bond market, respectively. The RMB5,000 million financial bonds have a term of five years and bear interest on an annual basis with a fixed annual interest rate of 3.88%. The RMB10,000 million financial bonds have a term of five years and bear interest on an annual basis with a fixed annual interest rate of 3.60%. Both bonds cannot be redeemed before maturity.

MAJOR CHANGE IN SHAREHOLDING OF OUR BANK DURING THE TRACK RECORD PERIOD UP TO THE LATEST PRACTICABLE DATE

Pursuant to Zhejiang Provincial Government's approval regarding establishment of Zhejiang Provincial Financial Holdings Co., Ltd. (浙江省金融控股有限公司) and the directive issued by Zhejiang Provincial Department of Finance, Zhejiang Province Financial Development Company has transferred its shareholding in our Bank to Zhejiang Provincial Financial Holdings Co., Ltd., its newly established wholly-owned subsidiary. On June 10, 2013, Zhejiang Province Financial Development Company entered into a share transfer agreement with Zhejiang Provincial Financial Holdings Co., Ltd., transferring 2,297,104,086 Shares (representing approximately 19.96% of the then share capital of our Bank) held by Zhejiang Province Financial Development Company, to Zhejiang Provincial Financial Holdings Co., Ltd. The transfer was completed on August 31, 2015, upon which Zhejiang Provincial Financial Holdings Co., Ltd. has become the single largest shareholder of our Bank, holding approximately 19.96% of the then share capital of our Bank. Zhejiang Provincial Financial Holdings Co., Ltd. has given undertaking not to transfer such shares for five years since August 31, 2015.

Our PRC legal adviser, Zhejiang T&C Law Firm, has confirmed that (i) the necessary approvals from the relevant authorities for the aforesaid major change in our shareholding during the Track Record Period had been obtained as of the Latest Practicable Date; and (ii) the aforesaid major change of shareholding in our Bank during the Track Record Period is valid and legal and have complied with the relevant filing procedures with the Administration for Industry and Commerce.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there was no major change in shareholding in our Bank.

RECENT CHANGE IN SHAREHOLDING OF OUR BANK

On October 26, 2015, Zhejiang Hengyi Group Co., Ltd. (浙江恒逸集團有限公司) ("**Hengyi Group**") entered into a share transfer agreement with Zhejiang Hengyi High-tech Material Co., Ltd. (浙江恒逸高新材料有限公司) ("**Hengyi High-tech**"), one of the subsidiaries of Hengyi Group, pursuant to which Hengyi Group has agreed to sell, and Hengyi High-tech has agreed to purchase, 220,000,000 Shares at the consideration of approximately RMB721.6 million (RMB3.28 per Share) ("**Hengyi Transfer**").

Immediately prior to the completion of the Hengyi Transfer, Hengyi Group, directly and indirectly, held 1,242,724,913 Shares in aggregate, representing approximately 8.6% of the share capital of our Bank, among which,

(1) 714,655,630 Shares, representing approximately 4.9% of the share capital of our Bank, were held directly by Hengyi Group; and

(2) 528,069,283 Shares, representing approximately 3.6% of the share capital of our Bank, were held indirectly by Hengyi Group through

   (i) Hengyi High-tech as to 288,069,283 Shares, representing approximately 2.0% of the share capital of our Bank; and

   (ii) Zhejiang Hengyi Petrochemical Co., Ltd. (浙江恒逸石化有限公司) ("**Zhejiang Hengyi**"), one of the subsidiaries of Hengyi Group, as to 240,000,000 Shares, representing approximately 1.7% of the share capital of our Bank.

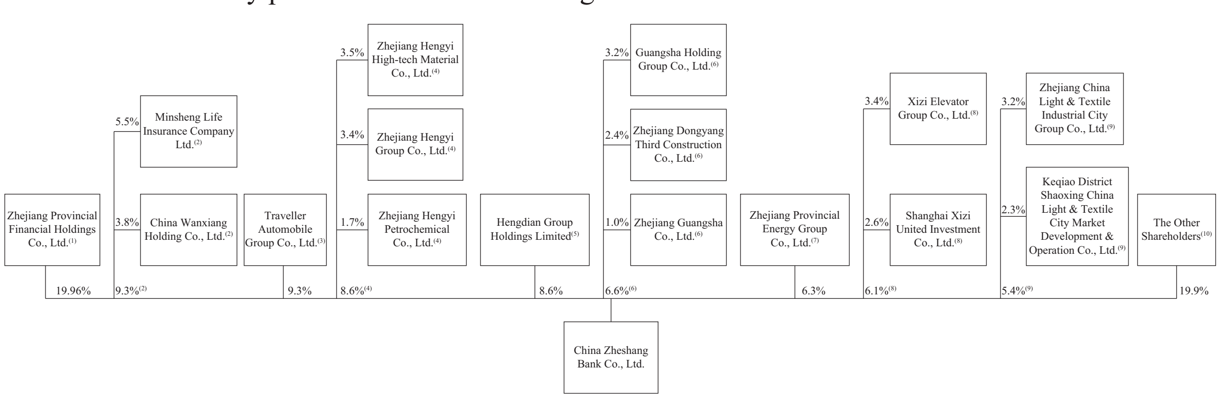
Immediately upon the completion of Hengyi Transfer, the number of the Shares directly held by Hengyi Group has decreased by 220,000,000 Shares from 714,655,630 to 494,655,630 Shares, while the number of the Shares indirectly held by it through Hengyi High-tech and Zhejiang Hengyi has increased by 220,000,000 Shares from 528,069,283 to 748,069,283 Shares. However, the aggregate number of the Shares held directly and indirectly by Hengyi Group remains unchanged immediately upon the completion of Hengyi Transfer.

Based on the enquiries by us with Hengyi Group, we understand that Hengyi Group initiated the transfer in order to restructure its interest in our Bank and the consideration for the transfer has been determined based on arm's length negotiation between the transferor and the transferee taking into consideration the net book value per Share of our Bank as of June 30, 2015 and as of September 30, 2015. The consideration was settled on November 11, 2015.

SHAREHOLDING AND GROUP STRUCTURE

Prior to the Global Offering

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



Notes:

(1) Zhejiang Provincial Financial Holdings Co., Ltd. (浙江省金融控股有限公司), one of our state-owned corporate shareholders and our single largest shareholder, is wholly owned by Zhejiang Province Financial Development Company (浙江省財務開發公司). Zhejiang Province Financial Development Company is managed by Zhejiang Provincial Department of Finance, which is entrusted by the People's Government of Zhejiang Province. The business scope of Zhejiang Provincial Financial Holdings Co., Ltd. mainly comprises, but is not limited to, financial equity investment, management of governmental equity investment fund and asset management.

(2) Minsheng Life Insurance Company Ltd. (民生人壽保險股份有限公司), one of our non-state owned corporate shareholders, is held as to 37.32% by another shareholder of our bank, namely China Wanxiang Holding Co., Ltd. (中國萬向控股有限公司). Its business scope mainly comprises, but is not limited to, insurance business. In addition to the undertaking given in the capital increase of the Bank in 2015, Minsheng Life Insurance Company Ltd. has given undertaking not to transfer 491,000,000 Shares in our Bank for five years since June 6, 2013.

China Wanxiang Holding Co., Ltd., one of our non-state owned corporate shareholders, is held as to approximately 83.33% by Mr. Lu Weiding and as to approximately 16.67% by Shanghai Guandingze Co., Ltd. (上海冠鼎澤有限公司). Shanghai Guandingze Co., Ltd. is held as to 93.33% by Mr. Lu Weiding. The business scope of China Wanxiang Holding Co., Ltd. mainly comprises, but is not limited to, industrial investment and investment management. In addition to the undertaking given in the capital increase of the Bank in 2015, China Wanxiang Holding Co., Ltd. has given undertaking not to transfer 409,318,375 Shares in our Bank for five years since July 7, 2014.

China Wanxiang Holding Co., Ltd. held 37.32% of Minsheng Life Insurance Company Ltd., and therefore is a controlling shareholder of Minsheng Life Insurance Company Ltd.; China Wanxiang Holding Co., Ltd. and Minsheng Life Insurance Company Ltd. held 9.3% equity interests in our Bank in aggregate.

(3) Traveller Automobile Group Co., Ltd. (旅行者汽車集團有限公司), one of our non-state-owned corporate shareholders, is held as to 86.67% by Shanghai Junzhu Equity Investment Management Co., Ltd. (上海君助股權投資管理有限公司) and as to 13.33% by Shenzhen Xianglong Equity Investment Management Co., Ltd. (深圳祥隆股權投資管理有限公司). The business scope of Traveller Automobile Group Co., Ltd. mainly comprises, but is not limited to, cars sales, investment and imports and exports business.

(4) Zhejiang Hengyi Group Co., Ltd. (浙江恒逸集團有限公司), one of our non-state-owned corporate shareholders, is controlled by Mr. Qiu Jianlin. Its business scope mainly comprises, but is not limited to, industrial investment. Zhejiang Hengyi Group Co., Ltd., directly and indirectly held 73.28% in Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司), and therefore is the controlling shareholder of Hengyi Petrochemical Co., Ltd.; Zhejiang Hengyi Petrochemical Co., Ltd. (浙江恒逸石化有限公司) is a wholly-owned subsidiary of Hengyi Petrochemical Co., Ltd., and Zhejiang Hengyi High-tech Material Co., Ltd. (浙江恒逸高新材料有限公司) is a wholly-owned subsidiary of Zhejiang Hengyi Petrochemical Co., Ltd.. Zhejiang Hengyi Group Co., Ltd., Zhejiang Hengyi Petrochemical Co., Ltd. and Zhejiang Hengyi High-tech Material Co., Ltd. held 8.6% equity interests in our Bank in aggregate.

(5) Hengdian Group Holdings Limited (橫店集團控股有限公司), one of our non-state-owned corporate shareholders, is held as to 70% by Hengdian Association for Economics Corporation (橫店社團經濟企業聯合會) and as to 30% by Dongyang Film and Television Tourism Promotion Association (東陽市影視旅遊促進會). The business scope of Hengdian Group Holdings Limited mainly comprises, but is not limited to, investment, management and operation of various industries such as electrical and electronic, pharmaceutical and chemical and studio entertainment, as well as businesses such as imports and exports of goods and technologies.

(6) The business scope of Guangsha Holding Group Co., Ltd. (廣廈控股集團有限公司) mainly comprises equity investment. Guangsha Holding Group Co., Ltd. held as to 38.66% of Zhejiang Guangsha Co., Ltd., and indirectly held as to 9.91% of Zhejiang Guangsha Co., Ltd. through Guangsha Construction Group Co., Ltd. (廣廈建設集團有限責任公司), Guangsha Holding Group Co., Ltd.'s subsidiary; Guangsha Holding Group Co., Ltd. held as to 44.65% of Zhejiang Dongyang Third Construction Co., Ltd., Guangsha Holding Group Co., Ltd.'s subsidiary Guangsha Construction Group Co., Ltd. held as to 44% of Zhejiang Dongyang Third Construction Co., Ltd. (浙江省東陽第三建築工程有限公司); Guangsha Holding Group Co., Ltd is the controlling shareholder of Zhejiang Guangsha Co., Ltd. and Zhejiang Dongyang Third Construction Co., Ltd.; Guangsha Holding Group Co., Ltd., Zhejiang Dongyang Third Construction Co., Ltd. and Zhejiang Guangsha Co., Ltd. held as to 6.6% equity interest in our Bank in aggregate.

(7) Zhejiang Provincial Energy Group Co., Ltd. (浙江省能源集團有限公司), one of our state-owned corporate shareholders, is wholly owned by State-Owned Assets Supervision and Administration Commission of Zhejiang Province. The business scope of Zhejiang Provincial Energy Group Co., Ltd. mainly comprises, but is not limited to, operation of state-owned assets and state-owned equity of group companies and its subsidiaries as authorized by the state. In addition to the undertaking given in the capital increase of the Bank in 2015, Zhejiang Provincial Energy Group Co., Ltd. has given undertaking not to transfer 632,877,984 Shares in our Bank for five years since June 6, 2013.

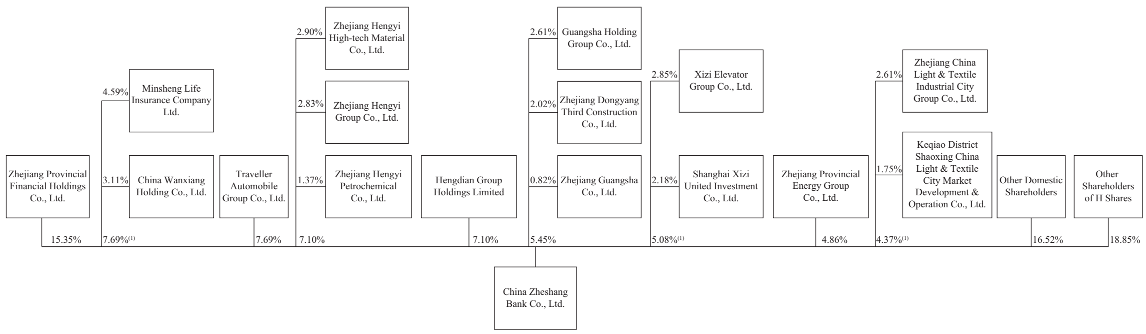
(8) The business scope of Xizi Elevator Group Co, Ltd. (西子電梯集團有限公司) mainly comprises production of elevator and escalator. Shanghai Xizi United Investment Co., Ltd.'s (上海西子聯合投資有限公司) wholly owned shareholder, Mr. Chen Xiaxin, also held as to 44.38% of Xizi Elevator Group Co., Ltd.. Mr. Chen Xiaxin is the controlling shareholder of Shanghai Xizi United Investment Co., Ltd. and Xizi Elevator Group Co., Ltd.; Xizi Elevator Group Co., Ltd. and Shanghai Xizi United Investment Co., Ltd. held as to 6.1% equity interest of our Bank in aggregate. The discrepancy between the sum of the percentages listed herein are due to rounding.

(9) Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd. (紹興市柯橋區中國輕紡城市場開發經營有限公司), held as to 35.78% of Zhejiang China Light & Textile Industrial City Group Co., Ltd. (浙江中國輕紡城集團股份有限公司) and is therefore the controlling shareholder of Zhejiang China Light & Textile Industrial City Group Co., Ltd.; Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd. and Zhejiang China Light & Textile Industrial City Group Co., Ltd. held as to 5.4% equity interest of our Bank in aggregate. The discrepancy between the sum of the percentages listed herein are due to rounding.

(10) Other shareholders include Zhejiang Yongli Industry Group Co., Ltd., holding 3.6% of our Shares; Zhejiang RIFA Holding Group Co., Ltd., holding 3.6% of our Shares; Jinggong Group Co., Ltd., holding 3.1% of our Shares; Lizi Industrial Group Co., Ltd., holding 2.9% of our Shares; Zhejiang Huatong Holding Group Co., Ltd., holding 2.1% of our Shares; Zhejiang Jingfa Industry Group Co., Ltd., holding 1.6% of our Shares, which is frozen in its entirety (among which 137,510,000 Shares have been auctioned or used to pay debts and are still in the relevant registration changing process); Zhejiang Xin' ao Industry Co., Ltd., holding 1.3% of our Shares; Nice Group Co., Ltd., holding 1.0% of our Shares; Zhuji Lizi Automobile Transportation Co., Ltd., holding 0.4% of our Shares; and Zhuji Kaisheng Investment Management Co., Ltd., holding 0.3% of our Shares.

Immediately Following the Completion of the Global Offering

The following chart sets out our shareholding structure immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



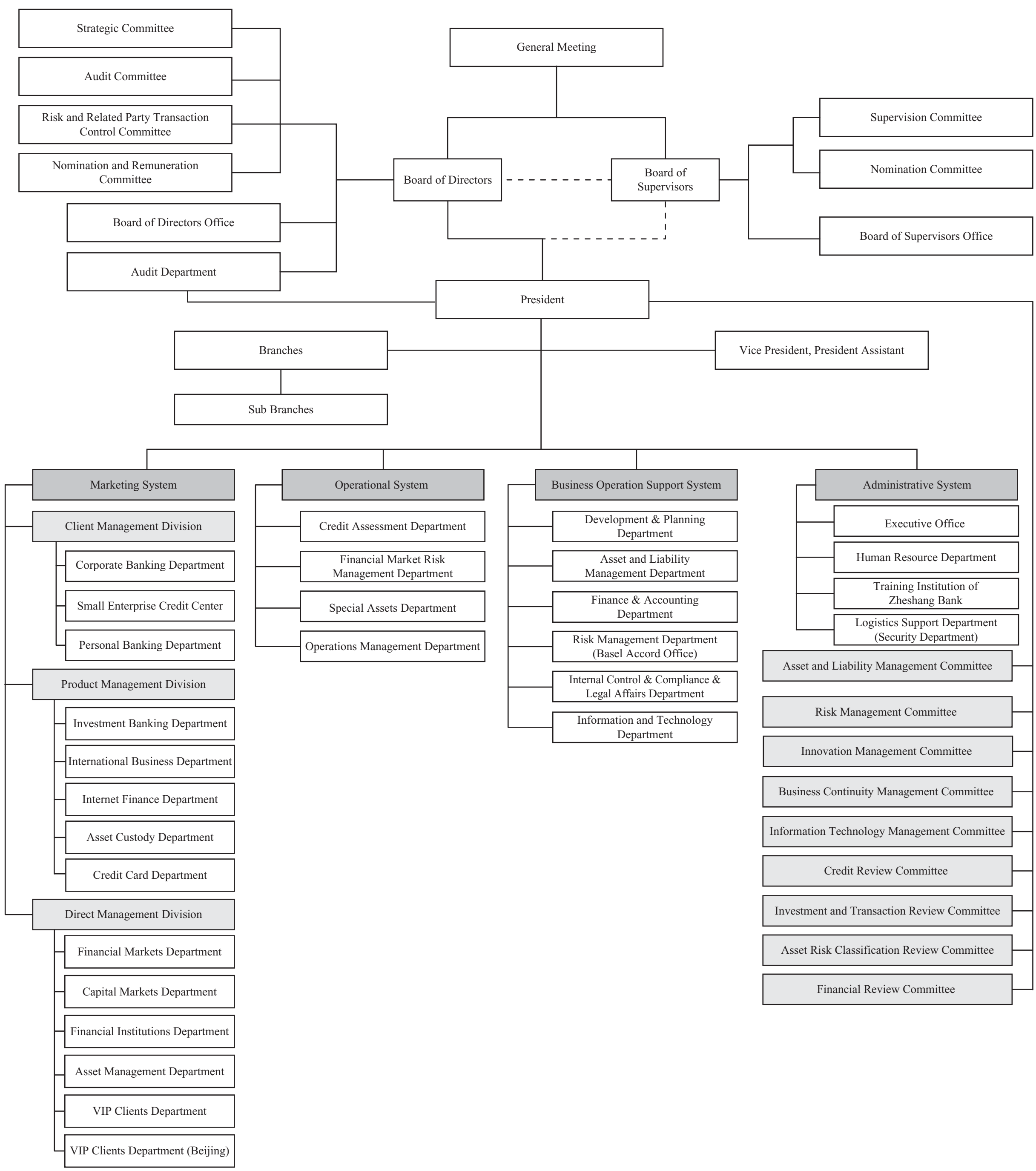
Note:

(1) The discrepancy between the sum of the percentages listed herein are due to rounding.

ORGANIZATIONAL STRUCTURE AND OPERATIONAL REFORM

Organizational Structure

The following chart sets out our principal organizational and management structure as of the Latest Practicable Date:



Operational Reform

To meet the requirement of our development and the industry's regulation, we have continuously sought to improve our management and operations and have implemented reform and improvement measures in areas including corporate governance, organizational structure, risk management, human resources and information technology. For further information, please refer to the sections entitled "Business" and "Risk Management" of this prospectus.

OVERVIEW

We are the only nationwide joint-stock commercial bank headquartered in Zhejiang. By adopting a "full-asset class operation" strategy, we have achieved rapid growth, efficient operations and solid asset quality. As of December 31, 2014, we ranked 11th , in terms of total assets, out of the 12 nationwide joint-stock commercial banks in the PRC with main business presence in Eastern China (including Zhejiang, Jiangsu and Shanghai). We believe we have great development potential given, among other things, the increasing market share of the nationwide joint-stock commercial banks in the PRC banking industry and our ability to leverage our nationwide license, our relatively short operation history compared to other nationwide joint-stock commercial banks, our expanding geographical presence and the increasing revenue contribution from our business outside Zhejiang and our transition from traditional banking business focusing on credit assets to the "full-asset class operation". We ranked 145th in the "Top 1000 World Banks 2015" in terms of total assets according to *The Banker*. We were awarded a credit rating of AAA in 2015 by CCXI, which is the highest credit rating that CCXI has granted to a financial institution in the PRC.

During the Track Record Period, our business has grown at a faster rate compared with the listed nationwide joint-stock commercial banks. Our total assets grew at a CAGR of 30.4% from December 31, 2012 to December 31, 2014. As of September 30, 2015, our total assets amounted to RMB1,004,315 million, representing an increase of 49.9% compared to December 31, 2014. Such growth rates were higher than all listed nationwide joint-stock commercial banks during the same periods, as well as the overall growth of all banking institutions in the PRC for the period from December 31, 2012 to December 31, 2014 and the overall growth of all commercial banks in the PRC from December 31, 2014 to September 30, 2015. From 2012 to 2014, our operating income and pre-provision profit grew at a CAGR of 28.9% and 33.1%, respectively, which were higher than all Hong Kong listed joint-stock commercial banks during the same period. From 2012 to 2014, our post-provision profit before tax grew at a CAGR of 12.6%, which ranked second as compared with Hong Kong listed nationwide joint-stock commercial banks. For the nine months ended September 30, 2015, our net profit amounted to RMB5,637 million, representing an increase of 26.8% compared to the same period in 2014, which was also higher than all listed nationwide joint-stock commercial banks and the overall growth of all commercial banks in the PRC during the same period. For the nine months ended September 30, 2015, our ROE was 18.66%, which was approximately 70 basis points higher than the average ROE of listed nationwide joint-stock commercial banks during the same period. We believe that we outpaced many of our peers in terms of our growth during the Track Record Period due to, among other things, the successful implementation of our "full-asset class operation" strategy and our key competitive strengths.

We have also adopted prudent risk management and internal control measures while we have achieved rapid growth. Our asset quality was one of the best among nationwide joint-stock commercial banks during the Track Record Period. As of September 30, 2015, our non-performing loan ratio was 1.22%, which was lower than all listed nationwide joint-stock commercial banks. As of the same date, our allowance to non-performing loans and allowance to total loans were 227.61% and 2.78%, respectively, both of which were higher than most of the listed nationwide joint-stock commercial banks.

We have established approximately 130 outlets in 11 provinces and provincial level municipalities, including Beijing, Shanghai and Jiangsu, as well as all prefecture-level cities in Zhejiang, covering the Yangtze River Delta Area, the Bohai Rim Area, the Pearl River Delta Area and certain other areas in Central and Western China as of September 30, 2015. We are in the process of establishing our Hong Kong branch in order to increase our international presence. Capitalizing on our core financial strength, we are actively developing distinctive internet financial services. We have established various cooperative business relationships with leading nationwide internet enterprises, including Baidu ("百度") and Alipay ("支付寶"), by integrating internet technology into our business and maintaining an internet-focused mindset. In addition, by improving our products, services and management systems, we are able to provide diverse, safe and convenient financial services to new customers originating from the "new normal" economy in the PRC.

We have received many awards, recognitions and honors for our outstanding business performance and management capabilities. The following table sets out selected awards and honors that we have received.

Year	Awards/rank	Event/Organization/Publication
2015	145th among the "Top 1000 World Banks 2015" ("全球銀行業1000強" 榜單第145位) (in terms of total assets)	*The Banker*
2015	The Best Brand for Wealth Management Products offered by a bank (最佳銀行理財品牌)	*Securities Times*
2015	The Best Bond Underwriting Bank (最佳債券承銷銀行)	*Securities Times*
2015	The Investment Bank Most Respected by Investors (最受投資者尊重的投行)	*Securities Times*
2015	"Grand Awards for the Best Bank of Investment Banking" (Industry)—Integrated Awards of the Infrastructure Industry ("最佳銀行(行業)投行" 綜合大獎—基礎建設行業等綜合獎項")	*Securities Times*
2015	Excellent Financial Service Team for Small and Micro Enterprises (小微企業金融服務優秀團隊)	CBRC
2014	Award for Best Case of Practicing Social Responsibilities (最佳社會責任實踐案例獎)	China Banking Association
2014	Award for the Most Influential Bank in the Inter-bank Domestic Currency Market (銀行間本幣市場最具市場影響力獎)	National Interbank Funding Center
2014	Award for Outstanding Contribution to Inter-bank Certificates of Deposit (同業存單突出貢獻獎)	China Foreign Exchange Trade System
2014	Outstanding Currency Swap Business Member (貨幣掉期優秀會員)	China Foreign Exchange Trade System
2014	The Most Competitive Investment Bank among Commercial Banks (最具競爭力銀行投行)	*Securities Times*
2014	Award for Internet Finance Innovation (網路金融創新獎)	China Financial Certification Authority
2014	The Most Reliable Financial Institution—Joint-stock Commercial Bank chosen by Zhejiang Merchants (浙商最信賴金融機構—股份制銀行)	Annual Meeting of Zhejiang Merchants

Year	Awards/rank	Event/Organization/Publication
2014	Ranking First in the "Looking Back" Public Satisfaction Survey among All Financial Institutions in Zhejiang (浙江省"回頭看"群眾滿意度調查全部金融機構排名第一)	The People's Government of Zhejiang Province
2013	Outstanding Bank with respect to Financial Services to Small and Micro Enterprise in 2012 (2012年度小微企業金融服務表現突出的銀行)	CBRC
2013	The Most Socially Responsible Financial Institution (最具社會責任金融機構)	China Banking Association
2013	Outstanding Currency Swap Business Member (貨幣掉期優秀會員)	China Foreign Exchange Trade System
2013	The Most Competitive Investment Bank among Commercial Banks (最具競爭力銀行投行)	*Securities Times*
2013	The Best Collective Bills for Small and Medium Enterprises (最佳中小企業集合票據)	*Securities Times*
2013	The Most Reliable Financial Institution—Joint-stock Commercial Bank chosen by Zhejiang Merchants (浙商最信賴金融機構—股份制銀行)	Annual Meeting of Zhejiang Merchants
2012	The Most Socially Responsible Financial Institution (最具社會責任金融機構)	China Banking Association
2012	Outstanding Inter-bank Domestic Currency Market Trading Member (銀行間本幣市場優秀交易成員)	National Interbank Funding Center
2012	Outstanding National Inter-bank Bond Market Member (全國銀行間債券市場優秀成員)	China Central Depository & Clearing Co., Ltd.
2012	The Most Competitive Investment Bank among Commercial Banks (最具競爭力銀行投行)	*Securities Times*
2012	The Best Medium-term Bills (最佳中期票據)	*Securities Times*
2012	Award for Excellent Service and Products (優秀服務產品獎)	International Excellent Small and Medium Enterprise Service Providers Conference
2012	Award to Financial Institutions for Supporting the Development of Small and Medium Enterprises (金融機構支持浙江中小企業發展優勝獎)	The People's Government of Zhejiang Province

OUR STRENGTHS

We are a nationwide joint-stock commercial bank with leading growth rates and efficient operations and management

We are one of the 12 nationwide joint-stock commercial banks approved by the CBRC. Leveraging on a well-established and market-oriented business system, a strategic geographic coverage encompassing an extensive branch network in the PRC, and efficient operations management abilities, we have developed into a high-quality commercial bank with a solid foundation, strong profitability, rapid growth and prudent risk control since our reorganization in 2004.

From December 31, 2012 to December 31, 2014, the CAGRs of our total assets, total loans and deposits were 30.4%, 19.2% and 16.7%, respectively, all of which were higher than the CAGRs of Hong Kong listed joint-stock commercial banks during the same period. As of September 30, 2015, our total assets, outstanding loans and deposit balances were RMB1,004,315 million, RMB339,138 million and RMB500,345 million, respectively, representing an increase of 49.9%, 30.9% and 37.7%, respectively, compared with December 31, 2014. All of such increases were higher than those of Hong Kong listed joint-stock commercial banks during the same period. From December 31, 2012 to December 31, 2014, our operating income and pre-provision profit grew at a CAGR of 28.9% and 33.1%, respectively, which were higher than those of Hong Kong listed joint-stock commercial banks during the same period. For the nine months ended September 30, 2015, we recorded total revenue of RMB17,541 million and net profit of RMB5,637 million, representing an increase of 40.4% and 26.8%, respectively, compared to the same period in 2014, and such growth rates were higher than those of the listed nationwide joint-stock commercial banks during the same period. For the nine months ended September 30, 2015, our ROE was 18.66%, which was also higher than the average ROEs of listed nationwide joint-stock commercial banks during the same period by approximately 70 basis points.

We are the only nationwide joint-stock commercial bank headquartered in Zhejiang. As of December 31, 2014, we were also the largest commercial bank headquartered in Zhejiang in terms of total assets. Zhejiang's solid economic foundation, highly developed market economy and sound legal and regulatory environment has created a strong base and driving force for our sustainable development.

- As an important pillar of the Yangtze River Delta Area, Zhejiang has been one of the most economically dynamic provinces in the PRC and has one of the highest per capita income levels in the PRC. In 2014, Zhejiang's GDP reached RMB4,015,350 million, with a CAGR of 9.7% from 2010 to 2014, and its per capita GDP, which has been among the highest in the PRC for five consecutive years, reached RMB72,967, which was 56.5% higher than the national per capita GDP. In the same year, urban households' per capita disposable income in Zhejiang, which has been the highest in the PRC for five consecutive years, reached RMB40,393, which was 40.0% higher than the national average excluding provincial level municipalities. The tertiary industry contributed 53.1% of the GDP growth of Zhejiang in 2014.

- As one of the pioneer provinces with respect to the economic reformation and opening up of the PRC, Zhejiang has a well developed market economy, many leading state-owned enterprises and active privately-owned enterprises. For the past 17 years, Zhejiang has consistently ranked first in terms of the number of enterprises selected by All-China Federation of Industry and Commerce (中華全國工商業聯合會) for inclusion in its list of the 2015 PRC's top 500 privately-owned enterprises. The market-oriented and active private sector economy in Zhejiang has created a dynamic market environment, enabling us to expand our customer base of quality privately-owned enterprises, and establishing a favorable foundation for the development of our SMEs and retail banking businesses.

As part of the strategic expansion of our national business network, we balance short-term benefits and the mid-to-long-term development potential. As of September 30, 2015, we had established 128 outlets in 12 provinces and municipalities in the PRC, including 35 branches, one branch-level specialized institution and 92 sub-branches. In addition, as of the Latest Practicable Date, we had established two new branch and five new sub-branches, and four branches and 10 sub-branches were in the process of launching.

Our branch network is primarily located in the Yangtze River Delta Area, which is the most economically dynamic region in China. Such area includes major cities such as Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo, Wenzhou, Shaoxing, Yiwu, Zhoushan and Taizhou. As of September 30, 2015, we had a total of 11 branches and 47 sub-branches in Zhejiang, covering 24 cities and counties. We have also established branch networks in the Bohai Rim Area, the Pearl River Delta Area and certain well-developed cities in Central and Western China, such as Beijing, Tianjin, Guangzhou, Shenzhen, Chongqing, Chengdu, Xi’an and Lanzhou.

Our branch network has contributed steady revenues and has enlarged our customer base. By leveraging our cross-regional license and operations, our revenue generated from regions outside Zhejiang has increased from 58.8% in 2012 to 61.1% in 2014.

Our performance indicators per outlet and per capita are higher than those of most Hong Kong listed joint-stock commercial banks. As of December 31, 2014, our average loans and deposits per outlet were RMB2,141 million and RMB3,002 million, respectively. Revenue per outlet in 2014 was RMB148 million. From December 31, 2012 to December 31, 2014, our per-capita deposits increased from RMB51 million to RMB56 million, our per capita loans increased from RMB35 million to RMB40 million, and our per-capita revenue increased from RMB2.19 million to RMB2.78 million.

We have innovatively practiced an enterprise level service-oriented architecture (SOA) by proactively promoting a “Process-Oriented Bank” (流程銀行) concept. This concept allows us to achieve high efficiency and prudent risk control by leveraging our standardized processes design, which enable us to concurrently handle multiple back-office transactions. As a result of our efficient operation management, our cost-to-income ratio had consistently been among the lowest in the industry, and continued to improve during the Track Record Period. For the nine months ended September 30, 2015, our cost-to-income ratio was 24.82%, which was 1.87 percentage points lower than the average of all listed nationwide joint-stock commercial banks.

We have successfully transitioned from a traditional banking business focusing on credit assets to a “full-asset class operation”, which allows us to achieve synergy and growth among different business segments

In order to adapt to the “new normal” economic conditions in the PRC, as well as to the changing needs of customers, we are committed to becoming a bank that provides our corporate customers with liquidity services and direct financing services and to transforming ourselves to a “full-asset class operation”. We strategically deploy credit assets, inter-bank assets and investment assets to realize concurrent development of on-and off-balance sheet assets, domestic and foreign currencies and various other assets. As a result, we are able to provide our customers with comprehensive and ongoing financial solutions. We work to continuously improve our profitability through our “full-asset class operation” in light of a narrowing net interest spread.

We have continued to cultivate our industry research capabilities. Leveraging our professional research abilities and the robust business environment for equity businesses in Zhejiang and the Yangtze River Delta Area, including private equity and venture capital businesses, as well as our innovative management and service mechanisms, we are able to flexibly utilize various financial instruments to serve our customers. In addition, we are capable of making accurate decisions with respect to industry trends and have established extensive and deep cooperative relationships with various domestic entities, including private equity firms, venture capital firms and listed companies. As a result, we are able to provide enterprise customers with comprehensive investment and financing services along the value chain, from their incubation and subsequent development, to the time when they become public companies.

Our ability to meet the demands of the new economic environment and to provide direct financing to our customers continues to improve. We believe we were one of the first commercial banks in China to set up a capital markets department. We have been actively engaged in the equity-interest based business (exchange-traded and OTC) in the capital markets and have been exploring the synergy between investments and lending in order to optimize customers' asset structures and improve their investment returns and financing conditions. This, in turn, has reduced their financing costs and improve their competitiveness. We assist listed companies to conduct domestic and overseas mergers and acquisitions and provide services in connection with industry integration and upgrading. Such business mainly includes financing related to stock pledges, private placements, investments by substantial shareholders in listed companies, Employee Stock Ownership Plans (ESOPs), equity buyout funds, industry development funds and other equity-interest based businesses.

In addition, we have strengthened our efforts to develop what we refer to as a "broad inter-bank" (大同業) model.

We continue to diversify our inter-bank business, optimize the source of our inter-bank liabilities and improve the sustainability of our inter-bank business. We actively cooperate with various inter-bank organizations, including emerging inter-bank institutions, and have become a recognized inter-bank business service provider.

- In our traditional inter-bank business, we cooperate with banks and non-bank financial institutions to achieve comprehensive development of our inter-bank business in various markets and through various products.
- In emerging market sectors, we actively adapt ourselves to respond to such trends as interest rate liberalization, asset securitization, internationalization of the Renminbi, liberalization of exchange rates, mixed financial services operations and the rise of internet banking applications. We also extend our services to emerging financial institutions such as internet platforms and third party payment platforms.

Our "full-asset class operation" strategy aims to change our reliance on the traditional model of providing deposit, loan and remittance services. Based on our customers' demands and the interaction among our business sectors, we have shifted from the traditional model of providing deposit, loan and remittance services to a model of providing comprehensive financial services. At the same time, we have also made a transition from focusing on products to focusing on customers. Such shifting and transitions have allowed us to change our focus from an asset holding bank to an asset management bank. Following the implementation of our "full-asset class operation" strategy we continue to improve our assets trading and management abilities. As of September 30, 2015, our inter-bank assets reached RMB472.3 billion, which has significantly improved our liquidity and also generated positive returns. As of the same date, our total investment assets reached RMB107.5 billion. Such assets consisted of bonds, derivative instruments and other monetary assets. The balance of wealth management products issued by us increased from RMB43,168 million at the end of 2014 to RMB168,403 million as of

September 30, 2015, which has improved our overall profile within the banking industry. Our capital utilization efficiency has greatly improved. The proportion of our risk-weighted assets to our total assets has decreased from 59.6% as of December 31, 2012 to 50.8% as of September 30, 2015.

We have recently established a specialized risk management department for our financial market business in order to achieve both synergetic business development and effective risk management. See "Risk Management—Credit Risk Management—Credit Risk Management for Treasury Business".

To meet our corporate customers' liquidity management demands, we have established an innovative corporate banking business featuring specialized "pooled financing" services

We have innovatively developed our competitive corporate banking business. To meet corporate customers' core needs for reduced financing costs and improved service efficiency, we have innovatively introduced our "Internet Plus" application and our "pooled financing" services packages, which place our customers' various financial instruments into a "pool" so as to generate credit or financing limits for such customers and provide comprehensive financial services. The income we receive comes in the form of fees, commissions and interest. We have established platforms such as "Bills Pool" ("票據池"), "Export Pool" ("出口池") and "Assets Pool" ("資產池"). We are able to provide corporate customers with comprehensive services for various financial assets, including pooled services, custody services, settlement services, pledged financing services and credit extending services. We have also customized our "Group Assets Pool" ("集團資產池") for conglomerates, their subsidiaries and their branches, as well as listed companies, in order to optimize our customers' internal finance and fund management, centralize the management of financial resources and financing channels and build an excellent business ecosystem for the conglomerates and for providing financial services along the supply chain of enterprises as well as for B2B electronic commerce.

- Our "Yongjin Bills Pool" ("涌金票據池") provides our customers across all industries with quality and comprehensive bills management and financing services. With a differentiated business model focusing on a philosophy of "accepting all bills and customers" ("不挑票，不挑客") and a service concept of "diligent bills manager" ("票據貼心管家"), we have been able to create a series of innovative functions. These include bill information queries, flexible pledge, ultra-short duration loan terms, services for bills backed by small banks, small face value bills and bills with short remaining maturity periods as well as the pooling of electronic commercial acceptance bills. In order to meet the needs of our conglomerate, finance company and listed company customers, we also provide such innovative services that adjust the credit lines among intra-group companies. As a result, our customers are able to improve their bills management, lower their financing costs, increase their financial returns and enhance their business efficiency. As of September 30, 2015, we had 3,093 customers who used our "Yongjin Bill Pool" ("涌金票據池"). Of such customers, 352 were large conglomerates. As of the same date, we had 148,979 pooled bills, with an aggregate balance of RMB120,610 million and an outstanding balance of RMB40,280 million.

- Our "Yongjin Export Pool" ("涌金出口池") is intended to provide our customers with comprehensive financial services, including export receivables management and financing. Through our "Yongjin Export pool" ("涌金出口池"), our customers can pledge receivables which are not yet due, including letters of credit and agency collections, into a pool to generate a financing limit. Our customers can receive various on- or off-balance sheet financing services within such limits at any time and with flexible terms and multiple currencies choices. This results in reduced financing costs and increased liquidity and business processing and operational efficiency.

- Our "Yongjin Assets Pool" ("涌金資產池") is another "pooled financing " platform to which we apply internet-focused mindset and technologies. This platform leverages our customers' liquid assets and provides short-term financing and comprehensive liquidity solutions to our customers. Our customers can pledge various financial assets, such as monetary funds, certificates of deposit, wealth management products, commercial acceptance bills, letters of credit and receivables, into a pool to generate a credit limit. Our customers can then receive various on- or off-balance sheet financing services within such limit at any time.

  There are ten innovative features of our "Yongjin Assets Pool" ("涌金資產池"), including the ability to deposit monetary assets into a pool, dynamic pledges on assets, credit limit sharing, multiple financing choices, self-service online lending and peer to peer (P2P) direct financing. Our pooled model facilitates the concentration, co-ordination, allocation and appreciation of an enterprise's assets, which resolves the challenges faced by our customers associated with balancing the liquidity and profitability of assets. In addition, our pooled model results in reduced financing costs and increases financial income for our customers. It also improves the effectiveness of liquidity management for our customers. The online operation of our "Yongjin Assets Pool" ("涌金資產池") provides our customers with an efficient and convenient experience. Going forward, we expect that the combination of our "pooled" concept and our online banking will result in greater enterprise liquidity management. In addition, through our "Yongjin Assets Pool" ("涌金資產池"), we will strive to act as both a "finance company" and an "internal bank" for our enterprise customers and will work diligently to serve their liquidity needs, which will enhance our overall competitiveness, in particular in the corporate banking business.

We have leading professional capabilities with respect to the small and micro enterprise business

We are a pioneer in the small and micro enterprise business in the PRC and endeavor to support the development of the real economy and capture our own development opportunities. In June 2006, which was three years before the CBRC called for specialized support for small enterprises in 2009, we set up one of the first specialized branch in the PRC offering services exclusive to small and micro enterprises. In April 2007, we introduced our online banking service platform specially designed for small enterprises. In May 2013, we launched our non-collateralized micro personal business loans, and we currently have established 10 pilot outlets in cities such as Hangzhou, Ningbo, Wenzhou, Shaoxing, Nanjing and Chongqing. In November 2014, we participated in the establishment of the first small and micro enterprise credit guarantee fund in the PRC. As of September 30, 2015, our outstanding loans to small and micro enterprises (including individual business owners) accounted for 30.0% of our total outstanding loans, ranking second in terms of percentage, when compared with listed nationwide joint-stock commercial banks.

We are also an industry leader among commercial banks in the PRC with respect to small and micro enterprise businesses. As of December 31, 2012, 2013 and 2014, our outstanding loans to small and micro enterprises (including individual business owners) totaled RMB58,781 million, RMB72,247 million and RMB89,409 million, respectively, representing a CAGR of 23.3%. As of September 30, 2015, our outstanding balance of such loans was RMB101,768 million, representing an increase of

13.8% as compared to the end of 2014. As of December 31, 2014, our outstanding loans to small and micro enterprises (including individual business owners) per outlet exceeded RMB700 million, which was higher than all listed nationwide joint-stock commercial banks. According to the data provided by the CBRC Zhejiang Office, as of December 31, 2014, our market share of outstanding loans to small and micro enterprises (including individual business owners) in Zhejiang (excluding Ningbo) was approximately 2.4%, ranking third among the 12 nationwide joint-stock commercial banks.

Our extensive branch network and proximity to private enterprises allow us to meet the specific needs of small and micro enterprise customers. We have developed approximately 40 specialized products for small and micro enterprises, including our "Villagers Guaranteed One Day Loan" ("村民擔保一日貸") and "Market Stalls One Day Loan" ("市場攤位一日貸"), which previously were recognized as two of the "Ten Best Products" ("雙十佳特優產品") for serving small and medium enterprises and "three-agriculture" customers by the China Banking Association. Our "One-Day-Loan" ("一日貸") series products were recognized as featured financial products for small and micro and medium enterprises by the CBRC and won the "Excellent Service Product Award" ("優秀服務產品獎") at the 2012 International Excellent Small and Medium Enterprises Service Providers Conference. Our "Three-Year-Loan" ("三年貸") and "Zheshang Wealth Generating Gold • Rural House Collaterized Loans" ("浙商致富金 • 農房抵押貸") were both included in the "Top 10 Financial Products Serving Small and Micro Enterprises" ("服務小微企業十佳金融產品") published by the Zhejiang Banking Association.

In response to the guidance provided by the PRC government's policy to promote entrepreneurship and innovation ("大眾創業，萬眾創新"), we have introduced a series of loan products including "Entrepreneurship Loans" ("創業助力貸"), "Outstanding Entrepreneur Loans" ("雙創菁英貸") and "Start-up Loans" ("圓夢創客貸"), which provide financing for start-ups and entrepreneurs. These products have simplified application procedures and flexible guarantees and are well-recognized in the market.

With respect to customer targeting, we target "small, great and local" ("近、小、好") customers, focusing on small and micro enterprises with low credit limits (not more than RMB5 million) and limited exposure to other banks, which also have clearly defined core businesses. Benefiting from the large base of small and micro enterprises in Zhejiang, our outlet coverage throughout Zhejiang and our customer service-oriented development strategy, as of September 30, 2015, according to our Bank's standard, we had 89,494 small and micro enterprise business customers (including individual business owners), which represented an increase of 16.5% compared with the end of 2014. Of such customers, we had 4,621 non-collateralized micro personal business loan customers, which represented an increase of 91.7% compared with the end of 2014. As of the same date, among the 12 nationwide joint-stock commercial banks, we had the largest number of small and micro enterprises (including individual business owners) credit customers in Zhejiang (excluding Ningbo) according to the CBRC Zhejiang office. We continue to expand the types of customers in our small and micro enterprise business from traditional customers from the manufacturing, processing and trading sectors to new small and micro enterprise customers such as E-commerce and science and technology enterprises, as well as rising young entrepreneurs. We seek to continually innovate, develop and utilize an internet-focused mindset and technology to provide small and micro enterprise customers with comprehensive financial service.

Our small and micro enterprise business has maintained a relatively high yield. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, almost all of our small and micro enterprise loans (including loans to individual business owners) under our

Bank's standards were priced above the PBOC benchmark interest rate for the same period. The yields for such loans exceeded the PBOC benchmark interest rate by 30.81%, 26.05%, 27.67% and 37.61%, respectively. During the same periods, all of our non-collateralized micro personal business loans were priced above the PBOC benchmark interest rate by 85.70% in 2013 to 115.83% in the first nine months of 2015.

We have adopted risk management processes specially designed for our risk exposures relating to small and micro enterprise businesses. Our risk managers and customer managers simultaneously identify potential risks at an early stage through on-site pre-lending reviews. We look into our customers' "soft information" by observing the borrowers' character and integrity so as to assess their willingness and ability to repay loans. We have implemented a risk monitoring supervisor dispatch system and a risk manager system in our loan approval processes, which will maintain the independence of our risk control and improve the efficiency of the loan approval process. As a result of our effective risk management and our quality customer screening processes, our small and micro enterprises business has maintained solid asset quality and a low non-performing loan ratio. As of December 31, 2012, 2013, 2014 and September 30, 2015, according to our Bank's standard, our non-performing loan ratios for small and micro enterprises (including individual business owners) were 0.24% 0.55%, 0.97% and 1.11%, respectively. In addition, as of December 31, 2013, 2014 and September 30, 2015, the non-performing loan ratios for our non-collateralized micro personal business loans were 0.00%, 0.02% and 0.38%, respectively. According to the CBRC Zhejiang Office, as of December 31, 2014, non-performing loan ratio for small and micro enterprises in all financial institutions in Zhejiang (excluding Ningbo) reached 2.44%.

We have a solid foundation for developing our internet financial services supported by significant regional strength and influential partners

We have an outstanding regional advantage in developing internet financial service. Hangzhou, where our head office is located, was designated by the State Council as the e-commerce center in The Regional Plan for the Yangtze River Delta Area (《長江三角洲地區區域規劃》). A large number of well-known e-commerce enterprises headquartered in Zhejiang, such as Alibaba Group, have been playing leading roles in their respective business fields. From 2012 to 2014, Zhejiang has maintained a leading position among all provinces in the PRC for three consecutive years in terms of e-commence trading volume, reaching RMB2.56 trillion in 2014. The active e-commerce industry in the region provides us with an attractive pool of IT professionals, technological support, solid customer base and influential partners to assist us with the expansion of our internet financial services.

We have seized opportunities to develop our internet financial services so as to fully integrate the internet into each of our business segments. In order to reduce operating costs and increase transaction efficiency, we have developed several advanced information systems and have been increasingly promoting our e-banking channels and developing new products, as well as upgrading our existing platforms. Our internet financial services provide customers with comprehensive financial services by using internet technologies and implementing an internet-focused mindset, while at the same time adhering to the principles of building our core business.

- We have established and continuously improved our multi-channel electronic banking services, such as online banking, telephone banking, mobile banking, WeChat banking, self-service terminals and automated card issuing machines, all of which have improved our customers' online and offline experience through cross-selling and increased our market influence by providing customized services. We are a pioneer in utilizing biometrical face-recognition technology in our direct selling mobile banking client registration service. As of September 30, 2015, our e-banking substitution rate for all transactions was 95.3%, which allowed us to achieve an industry-leading position in this area.

- Capitalizing on our advantage with respect to internet financial services channels, we have developed our "end-to-end whole-process product development system", the function of which ranges from product research to promotion. We are committed to developing featured products. For example, our "Zengjinbao" ("增金寶") product is an innovative wealth management product linked to our customers' account balances launched jointly with E Fund Management Co., Ltd., ("易方達基金管理有限公司"). "Zengjinbao" provides a seamless "T+0" (same day settlement) transition between investment and spending. Such wealth management products may offer yields as high as those of a fund, flexibility similar to demand deposits and enhanced security. As of September 30, 2015, which was seven months after our "Zengjinbao" ("增金寶") product was introduced, the cumulative sale amount (i.e. customers' principals invested in the product) of "Zengjinbao" had reached RMB81,346 million, the unredeemed balance (i.e. customers' unredeemed principals and interest in the product) amounted to RMB6,463 million and the cumulative number of customers who had purchased our "Zengjinbao" ("增金寶") product reached approximately 542,000.

- We are one of the few banks in the PRC that provide custody services for a variety of P2P funds, which includes accounts opening, investment, repayment and management of transaction information. Such services have helped P2P platforms and their users to perform the functions of payment, collection, remittance of funds, fund management and fund appreciation in a comprehensive, convenient and safe way.

- In August 2015, we were a pioneer in our industry in launching an online transaction platform that allows our customers to trade personal wealth management products among themselves. Customers who buy our personal wealth management products can enjoy high liquidity of the products which generate returns. This online transaction platform has four characteristics: First, the online transactions can be executed efficiently. Customers can execute the transactions through our online banking system or phone applications. As a result, the online transaction service has a high matching rate. Second, there is a wide variety of products tradable on such platform. At present, all of our close-end wealth management products can be traded online without geographical restrictions. Third, the transaction price is flexible. This can provide the transferor with a certain degree of flexibility in pricing while at the same time protecting the equality of the transaction. This also increases our wealth management customers' opportunities to buy wealth management products with longer terms and higher returns. Fourth, the transactions are currently not subject to handling charges. We conduct the business of such transaction platform within the regulatory framework relating to wealth management products, see "Supervision and Regulation—Regulation on Major Business of Commercial Banks—Wealth Management Business". From the launch of this transaction platform to September 30, 2015, our matching rate for transfers of personal wealth management products exceeded 96.3%, with a total amount of RMB53 million. For details of our online transaction platform of personal wealth management products among our customers, see "—Our Principal Businesses—Retail Banking Business—Intermediary Business Products and Services—Personal Wealth Management Services".

- In addition to product innovation, we are also making breakthroughs in electronic platform innovation. In 2014, we launched a comprehensive financial services platform in the PRC that was specially designed for business-to-business (B2B) e-commerce and allowed us to become one of the few banks in the PRC to enable both the display and trading of B2B online products. This reduces transaction costs and promotes efficiency. As of September 30, 2015, 18,344 enterprises had used the platform.

In addition to optimizing and innovating our channels, products and platforms, we also actively cooperate with leading institutions in the internet finance industry to promote cross-platform interaction and integration, as well as resource and customer sharing. We entered into a comprehensive strategic cooperation agreement with Baidu in 2015 to develop long-term, comprehensive and deep cooperation with respect to the internet, finance and marketing in the fields of consumer financing, internet-based small and micro enterprises financing and internet-based new model financing. In addition, we are also in cooperation with Alipay in relation to express payment services.

We have maintained solid asset quality through our prudent risk management

We have maintained solid asset quality through our prudent risk management approach and customer screening strategy. Despite the recent rise in non-performing loan ratios in the PRC's banking industry, we have been able to maintain our leading position in terms of asset quality among nationwide joint-stock commercial banks as a result of our improved risk management capabilities and increased efforts to mitigate risks and dispose of non-performing loans. As of September 30, 2015, our non-performing loan ratio was 1.22%, which was better than all listed nationwide joint-stock commercial banks. As of the same date, our allowance to non-performing loans was 227.61% and our allowance to total loans was 2.78%, both of which were better than the majority of the listed nationwide joint-stock commercial banks. As of December 31, 2014, the ratio of overdue loan to total loans and the ratio of special mention and non-performing loans to total loans were lower than those of all listed nationwide joint-stock commercial banks.

- We have implemented a distinct risk monitoring officer dispatch system, under which our head office dispatches risk monitoring officers to branches. Risk monitoring officers are directly managed by our head office. They are independent of the branches that they are assigned to and report to our head office on risk warning events. They also have a veto right with respect to the approval of credit extension at the branches where they are assigned to.

- We have established specialized risk management teams. For example, we have set up a dedicated financial market risk management department and a small enterprise risk management department under our small enterprise credit center. Each risk management team fully utilizes its professional expertise and accurately and efficiently performs risk management functions such as reviews, evaluations, follow-up inspections and monitoring.

- We have also adopted various industry-specific risk management measures. For loan applications from customers in certain industries, we set a limit for the total amount of loans that can be approved and conduct quota management. We also frequently review our exposure to risk. As of September 30, 2015, our loans to customers in the real estate industry accounted for 11.3% of our total loans and our non-performing loan ratio of the real estate industry was 0.07%; our loans to customers in industries with excess production capacity accounted for 1.7% of our total loans; our outstanding loans to local government financing vehicles accounted for 6.8% of our total loans and there were no non-performing loans from local government financing vehicles.

- With respect to business operation management, our branches assign an accounting-operation supervisor at our sub-branches to efficiently control operation risks and ethics risks. Such individuals are directly managed by the relevant branches.

We have experienced management team, diversified shareholding structure and results oriented and efficient corporate culture

Our management team has an outstanding strategic vision and extensive industry experience. Our Chairman, Mr. Shen Renkang, has held several important government positions, including Mayor of Quzhou in Zhejiang and Deputy Mayor of Lishui in Zhejiang. He has over 30 years of experience in government management and broad experience with respect to management strategies and economic research. He also has unique insights with respect to regional economic development and financial market and possesses outstanding leadership skills and excellent strategic vision. Our President, Mr. Liu Xiaochun, has more than 32 years of experience in China's banking industry. He served as general manager of Agricultural Bank of China's Hong Kong Branch for four years and has broad banking industry management experience in terms of both domestic and foreign markets, local branches and head offices, domestic and foreign currencies business as well as research and practice. He also has a broad international perspective. All of our core management team members have over 20 years of professional management experience in the banking industry, and collectively have extensive experience in areas including business operations, financial management, risk control and information technology. A large number of our key senior management members have held operational and management positions in state-owned Large Commercial Banks and have been with us since our establishment. They possess in-depth knowledge of our business and hold professional qualifications such as senior economist and senior accountant. Our employees are young, energetic and well-educated. As of September 30, 2015, the average age of our employees was 34, and over 83.9% of our employees held a bachelor's degree or above.

Immediately after the capital injection in 2015, we had 26 registered shareholders and the majority of them were private enterprises. Our largest shareholder is Zhejiang Provincial Financial Holdings Co., Ltd., which holds 19.96% of our equity interest. None of the remaining 25 registered shareholders holds more than 10% of our equity interest. Prior to the completion of the Global Offering, our state-owned shareholders collectively held 28.6% of our equity interest, and private enterprises shareholders held the remaining 71.4%. The majority of our shareholders have continuously supported our business development, the implementation of our strategies, our historical capital increase and made great contribution to our rapid development.

We adhere to a corporate culture of being "responsible, diligent, results-oriented and magnanimous" ("負責, 勤奮, 務實, 大氣"). We advocate customer-oriented principle and continuously innovate our products and services, provide our communities with professional and efficient financial services and create value for our customers, employees, shareholders and the society in general for the purpose of mutual development. In recent years, we have been improving our reputation by enhancing our marketing, polishing our services to customers and other parties and actively performing our social responsibilities.

OUR STRATEGIES

We aim to become the most competitive nationwide joint-stock commercial bank and Zhejiang's most important financial platform.

To achieve our strategic objectives, we conduct business in accordance with our "full-asset class operation" strategy. This means that in addition to continuing to develop our traditional credit business, we strengthen our cooperation with banks, non-banking financial institutions and other quasi-financial institutions, achieve a coordinated and efficient management of our financial markets business (including businesses in credit markets, money markets, capital markets and foreign exchange markets), and promote the diversified development of our credit assets, inter-bank assets and investment assets. Through integrated operations and business synergies, we provide our customers with comprehensive financial solutions and continue to strengthen our market and customer experience-oriented product and business model innovation. Our "full-asset class operation" strategy also enables us to optimize our liabilities on the basis of our operation capabilities and strategically and tactically match our assets and liabilities in terms of sources, maturities and costs, which in turn helps us to reshape our balance sheet and enhance our market competitiveness.

To achieve our strategic objectives, we plan to take the following measures:

Improve our corporate banking operations by enriching our service offerings and optimizing our customer structure

In response to the liberalization of interest rates, the disintermediation of the financial sector and the rapid development of internet financial services, we plan to accelerate the transformation of our operating role, further improve our product and service model innovation to meet the diversified financing needs of our corporate customers and further improve our comprehensive financial services. As such, we intend to adopt the following measures:

- *Focusing on providing liquidity services, realizing synergy between investments and lending and becoming* a *transaction bank in order to further optimize our customer structure.* We mainly provide liquidity service to large commercial enterprises, large and medium-sized manufacturing enterprises, companies planning to be listed, finance companies and leasing companies. Our comprehensive investment and lending products mainly target customers such as listed enterprises, large SOEs, quality private enterprises, industrial funds and private equity funds. Our transaction banking products mainly target customers who need exchange rate and interest rate hedging services or services relating to value preservation or appreciation, such as large export processing enterprises, large to medium-sized foreign trade enterprises and cross-border e-commerce enterprises.
- *Further promoting our "pooled financing" service.* Leveraging the "Bills Pool" ("票據池"), "Export Pool" ("出口池") and "Assets Pool" ("資產池"), we make efforts to further package and manage customers' financial assets, such as commercial paper, domestic letters of credit and receivables, so as to integrate our assets and liabilities, products and services and operations and management. We support our corporate customers in improving their supply chain and group management capabilities and balancing their liquidity and profitability needs. We strive to be our corporate customers' first point of contact when they need assistance and their trusted bank by providing personalized and comprehensive services which are accessible through self-service channels, such as asset custodian services, settlement services, pledge financing services and credit extending services.

- *Actively participating in the direct financing business.* By fully leveraging our advantages with respect to capital, reputation, distribution channels and licenses, we intend to build up a business model that promotes the joint development of our commercial banking and investment banking services. We plan to actively expand our investment banking services including those related to bond underwriting, M&A and restructuring advisory, private placements, and agency trading, interaction between investment and lending as well as services related to industrial funds and asset securitization, in order to offer comprehensive value-added business solutions to our high end corporate customers.

- *Further optimizing our "Zhejiang Merchants Business" model.* Leveraging our close geographical proximity to the Zhejiang Merchants, as well as our common culture and shared values, we will target the quality Zhejiang Merchants as potential customers. By utilizing supply chain financing, investment banking and cross-border financing, we will focus on supporting the Zhejiang Merchants in expanding their business outside Zhejiang and as they reinvesting in Zhejiang, thereby further solidifying our relationships with such key corporate banking customers.

- *Establishing a comprehensive internet financial services platform for our corporate customers.* With the goal of expanding our customer base and range of services, we plan to design and optimize our products by utilizing an internet-focused mindset and internet technologies. We also plan to promote close integration between our "pooled financial assets" services and "internet plus" financial services. We will also enhance the connection between various B2B electronic commercial platforms and our corporate customers ERP system, which will enable us to build a comprehensive internet-based corporate financial service platform.

Strengthen our small and micro enterprises business by providing comprehensive services

We endeavor to enhance our strengths with respect to the services we provide to small and micro enterprises. We intend to take full advantage of development opportunities resulting from structural changes to the economy of PRC in order to further provide innovative financing products and comprehensive financial services to small and micro enterprises. To achieve this, we plan to adopt the following measures:

- *Continue to strengthen our focus on "small, great and local"* ("近、小、好") *customers as our targets.* We will focus on developing business relationships with customers with strong growth prospects, steady operations, integrity and a willingness to establish long-term relationships with us. In particular, we will focus on small and micro enterprises whose credit limits range from RMB1 million to RMB5 million and non-collateralized micro personal business loans customers whose credit limits are under RMB750,000.

- *Build a diverse marketing system.* While strengthening our customer-oriented marketing efforts, we will also promote the construction of an "internet plus small and micro finance" service channel and will expand our new customer acquisition channels, such as through WeChat, mobile apps, our website and QR codes. We will develop our mass marketing capabilities and accelerate the development of our clustered marketing model for small and micro enterprises based on the specifics of the local economies in which our customers are located. We will strengthen follow-on sales, further explore financial needs of each of our customers, and improve our revenue contribution per customer. We expect to strengthen our cross marketing, widen the variety of products used by customers and enhance customer retention in order to promote our small and micro enterprises business.

- *Accelerate our product innovation based on our customers' needs.* We will further accelerate product innovation and development in multiple areas, such as with respect to types of security, maturity terms, withdrawal and repayment methods and customer categorization. To adapt to the trends of emerging industries, we will develop products according to the needs for entrepreneurship and innovation. We will improve our customers' experience in accordance with the trend of internet finance. We will also develop a supply chain finance system which will enable us to provide financing services to small and micro enterprises based on their business relationships with core enterprises, and to utilize IT system to expand our customer acquisition channels.

- *Optimize our business operation processes and improve our efficiency.* We plan to promote an advanced service model which will allow our customers to submit applications, keep track of the status of their applications, draw down and repay loans and evaluate our services via the internet. With respect to legal compliance and our ability to control risks, we plan to apply more up-to-date technologies to our business, such as mobile technologies and facial and image recognition technologies. We will also promote a centralized and specialized business operation model with respect to such processes as our centralized loan application process and post-loan management process, optimize our business operation procedures and workload allocation, and enhance the value created per employee. So doing will allow us to achieve the sustainable development of our small and micro enterprises business.

- *Improve our risk management system.* We will explore an internal scorecard rating model and gradually implement a quantified and standardized risk management system for credit risk associated with small and micro enterprises. We plan to standardize our collective review and management model for small and micro enterprises in different districts and cities, and adjust and standardize our operating procedures and related requirements for each phase of the credit application process.

Enhance our retail banking business by implementing customer segmentation as well as product and platform innovation

We will continue to develop and innovate our personal electronic banking business in such areas as personal deposits, personal loans, wealth management products, private banking and bank cards. This will allow us to meet our customers' diversified needs and maintain the rapid growth of our retail banking business. As such, we intend to adopt the following measures:

- *Implement customer segmentation.* We categorize our retail customers into three segments based on their overall revenue contributions, the quality of their financial assets and their need for financial services, namely potential customers, core customers and high-net-worth customers. Based on such segmentation, we cultivate and expand our target customer base through product positioning, differentiating our services and cross selling. For potential customers, we plan to further explore their financial needs; for core customers, we plan to enhance our recognition; and for high-net-worth customers, we plan to boost their overall contribution to our revenue.

- *Build customer-oriented product innovation mechanisms.* We plan to establish a platform that is able to respond to customers' service needs throughout our entire operational network and distribution channels, actively explore and set up an innovation mechanism for retail banking products and create a diversified and well-organized retail banking product line with wide coverage.

- *Accelerate the development of our mobile financial services and fully utilize mobile internet technologies to enhance our customers' experience.* We plan to apply a "minimalist" concept to certain aspects of our customer experience, such as our system design and promotion planning and marketing activities to enhance our customers' experience and incentivize them to participate. In the future, we plan to build a platform, which will focus on providing convenient solutions with respect to payment, wealth management and financing.
- *Focus on establishing a retail customer information database and systematically improve our service capabilities.* We plan to build a retail customer management system by utilizing big data and cloud computing concepts. We will also analyze our individual and group customers to support our account managers' marketing practices and provide management personnel with business analyses and references to assist with decisions making, thereby comprehensively enhancing the quality of our retail customer marketing management. Starting with our core customers, we plan to build a customer service system covering both our head office and our branches, promote a customer maintenance model that combines physical outlets with e-banking channels and enhance our customers' satisfaction and loyalty.

Participate in various financial market businesses and benefit from the rapid development of the financial industry

We plan to fully take advantage of the rapid development of the financial industry in order to promote our financial market business at a quick pace and transform ourselves into one of the most influential and competitive participants in various financial markets. As such, we intend to adopt the following measures:

- *Solidify our customer base in the financial market.* We classify our financial market customers into major categories such as large banks, small- and mid-sized banks, non-bank financial institutions and other capital market participants. Based on their specific features and needs, we optimize our financial product portfolio to help us develop our business relationships with them. We plan to develop cooperative relationships with other financial institutions whose asset structures and business models are highly compatible with ours, which will allow us to share information, customers and channels and establish benchmark business models.
- *Actively participate in the multi-layer capital markets.* By fully utilizing the comprehensive service of financial markets, we intend to provide comprehensive financial services on a whole industry chain basis that focus on core customers. We plan to extend the scope of our products from inter-bank market products to OTC products, equity interest related products, structured products and off-shore products. We plan to take advantage of various equity and debt investment opportunities in the multi-layer capital markets in order to design investments with manageable risk levels, high liquidity and stable yields.
- *Promote the synergy between our financial market services and traditional banking services.* We plan to further explore the potential needs of our corporate, small enterprise

and retail customers and gradually improve our product and service offerings which are adapted to different groups of customers. We also intend to establish a platform that shares information and resources in order to explore and utilize market opportunities to the greatest extent possible and promote the synergy between our financial market services and traditional banking services.

- *Optimize our risk management model for our financial market business.* We plan to optimize the management responsibility of financial market risk management department and manage different operation departments in various ways. We also plan to better realize the value of proactive risk management on the part of our key marketing personnel.

- *Further promote innovation in our business practice and expand the size of both our assets and our customer base.* We plan to adequately authorize our operating units to conduct business innovation activities based on their specific circumstances and the local environments in which they operate, in order for them to take advantage of opportunities resulting from local policy adjustments and changes in market conditions. We will establish an online inter-bank asset transaction platform, design and develop online financial products tailored to our inter-bank customers and cooperate with major internet financial platforms.

Further improve our organizational structure and management system as well as strengthen our comprehensive risk management

We are committed to establishing a risk management system that is compatible with our overall and long-term strategic position, improving our risk management organizational structure and continuously refining our risk control approaches in order to optimize our management system and improve our adaptability to the "new normal" economy and new opportunities and business environments. As such, we intend to adopt the following measures:

- *Follow a philosophy of comprehensive risk management.* Under the framework of Basel III, we are working on establishing a risk management system which is in line with our "full-asset class operation" strategy. With the fundamental goal of managing risk and creating value, we balance innovation, business development and risk management and precisely manage the relationship between clients screening and risk tolerance. By so doing we are able to comprehensively cover our credit risk, market risk, liquidity risk, operational risk, information technology risk and reputational risk. Our risk management policy, which we believe is strategic, efficient and dynamic, enables us to manage risks associated with all of our assets, liabilities and business operations.

- *Optimize our risk management policies.* We will continue to optimize our fundamental policies relating to our credit business, investment business and trading business, and will gradually develop our fundamental policies regarding corporate customers and inter-bank customers. While pursuing business growth, we are also committed to continuously adjusting and refining our key systems, such as our capital management measures, our stress test methodology, our credit rating measures and our collateral management measures.

- *Optimize our risk management mechanism.* We will further implement a credit approval system for which specifically designated personnel will be responsible, and improve such personnel's professional capabilities with respect to making industry and product assessments. We will also improve our post-credit-approval review mechanism. In addition, we intend to improve our professional mechanism for managing and liquidating our non-performing assets and our efficiency with respect to execution and decision-making when dealing with risks.

- *Improve our risk management tools.* We will establish an internal credit risk rating system to quantify important risk indicators, such as default probability, default loss rate, default risk exposure and validity terms, which will allow us to gradually meet our advanced internal credit risk rating requirements. We plan to continuously improve our internal model designing and develop new market risk measurement methods and quantitative models.

- *Improve our risk management systems.* We plan to establish a credit risk management system that is capable of conducting financial analysis, internal rating and collateral management, and is able to interact with our business systems to systematically manage our relationships with specific institutions, customers and the banking industry as a whole. We plan to optimize our market risk management system for trading accounts to enable real-time risk exposure measurement and risk quota management. We also plan to speed up the construction of our asset and liability management system, which will further strengthen our control over liquidity risk and interest rate risk. In addition, we plan to establish a risk data collection platform, a unified risk analysis system and a data searching platform, which will facilitate our decision making with respect to risk management.

Actively develop our internet financial services in tandem with the expansion of our branch outlets with an aim to become an information technology based bank with physical, virtual, online and offline services

We believe our development and advantages are partly dependent on our optimal nationwide branch network and our advantage with respect to developing internet financial services. In order to reinforce such advantages and establish ourselves as an information-based bank capable of meeting our customers' need, we intend to take the following measures:

- *Accelerate the expansion of our national branch network.* We plan to accelerate the establishment of a financial leasing company and intend to set up financial corporations (e.g., funds and securities) through direct investment, equity participation and acquisitions, which will lay down a framework for the establishment of a financial group company. While focusing on optimizing our branch network along the eastern coast of China and the Yangtze River economic region, we will also strive to continuously upgrade our outlet density and coverage in order to further enhance our operations in Zhejiang. We also intend to launch our Hong Kong branch to make preparations for a global branch network.

- *Reshape the form and function of our network.* We plan to diversify the form of our outlets, optimally establish our branches and outlets and promote the interaction and balance between offline physical outlets and online business functions. Based on facial recognition and big data technologies, we are committed to actively developing long distance services, including account opening, card issuing and credit approval services. We intend to fully utilize the special functions of our physical outlets with respect to online-to-offline (O2O) financial service, and will work with other mainstream internet financial platforms in order to achieve coordinated development of our online and offline businesses.

- *Enhance our product and platform innovation to adapt ourselves to trends associated with internet financial services.* We plan to study the feasibility of developing customers and identifying risks through big data and to improve our applications, technologies, structural innovation and application system security management with respect to internet financial services. We also aim to strengthen our product innovation and accelerate the establishment of a comprehensive network comprising a financial services platform, E-commerce service platform and mobile financial services platform. We also intend to pursue multi-faceted cooperative relationships with other banks and non-bank financial institutions, parties involved in the internet finance industry and third-party platforms.

- *Become an information technology driven bank.* We plan to continuously optimize our all-in-one information system so as to develop a distinct internet environment. We also intend to further develop our internet financing by strengthening the construction of our peripheral systems, increasing our support for innovation with respect to marketing methods and product development and enhancing our ability to develop electronic banking channels. We also plan to strengthen the building of our management accounting system, as well as our asset and liability management system, in order to continually improve the intelligence level of our reporting system and better facilitate our decision making.

Further improve our human resource management system and optimize our talent structure

We believe that recruiting, training, retaining and motivating professional staff with outstanding competence and a broad range of experience is critical to maintaining our advantages and seeking success. We therefore intend to adopt the following strategies:

- *Vigorously implement our talent development strategy through both external recruitment and internal training.* We will implement a clear talent development strategy tailored to our employees' different development stages, apply scientific methods for recruiting and talent assessment and broaden our channels for talent introduction and training. We will enlarge our strategic reserve of essential talent and focus on developing three teams, including mid-to-senior management personnel, professional and technical personnel and reserved talent. At both our head office and branch level, we plan to design an appropriate training system and establish a financial forum. We also plan to design a points system for staff education and to continue to enhance the effectiveness of our training.

- *Continually optimize our incentive program.* We will continually improve our economic performance measurement system and integrated performance evaluation system, and will also optimize the application of our performance evaluation results. Following a "market-oriented incentives" concept, we will implement a remuneration system based on the position and responsibilities of each employee and will optimize our remuneration mechanism so as to balance individual and organizational performance. We plan to further improve our comprehensive benefits for our employees through staff benefit schemes such as medical insurance and corporate pension plans. With employee ability and performance as our main consideration, we will improve our career development mechanism so as to provide equal opportunities for our employees in different business functions to achieve their career and personal development goals.

OUR PRINCIPAL BUSINESSES

Our principal business includes corporate banking, retail banking and treasury business. As a part of our corporate banking and retail banking business, we are also engaged in the small and micro enterprises business, which allows us to provide credit services to small and micro enterprises and individual business owners that meet our criteria. The following table sets out our operating income by business segment for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	In millions of RMB, except percentages							
Corporate Banking	7,843	74.9%	10,031	74.3%	12,329	70.9%	9,693	55.3%
Retail Banking	1,345	12.9%	1,567	11.6%	1,994	11.5%	1,693	9.7%
Treasury Business	1,254	12.0%	1,865	13.8%	3,039	17.5%	6,128	34.9%
Others(1)	24	0.2%	32	0.2%	35	0.2%	27	0.2%
Total	**10,466**	**100.0%**	**13,496**	**100.0%**	**17,397**	**100.0%**	**17,541**	**100.0%**

Note:
(1) Others primarily includes our assets, liabilities, revenue and expenses that cannot be directly attributed to certain segments.

Corporate Banking Business

Overview

The majority of our operating income is attributable to our corporate banking business. We provide comprehensive financial products and services to our corporate customers, which include large central SOEs, local SOEs, quality private enterprises (including Zhejiang Merchants), small and micro enterprises, government agencies and public sector entities. Our corporate banking products and services primarily comprise corporate loans, corporate deposits, intermediary business products and services and international trade finance and settlement services.

Our corporate banking business focuses on cultivating our strategic customers so as to establish long-term and comprehensive relationships with them and develop new customers from their upstream and downstream business partners. We develop strategic customers and enhance their loyalty by providing comprehensive and customized financial products and solutions. So doing also improves the overall contribution of such customers to our Bank. See "—Marketing".

As of September 30, 2015, we had 8,634 corporate loan customers with total corporate loans of RMB279,514 million, and 44,676 corporate deposit customers with total deposits of RMB472,663 million. Our corporate loans increased steadily from RMB147,384 million as of December 31, 2012, to RMB206,952 million as of December 31, 2014, representing a CAGR of 18.5%. During the same period, our corporate deposits also increased steadily from RMB237,944 million as of December 31, 2012 to RMB336,921 million as of December 31, 2014, representing a CAGR of 19.0%.

For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our operating income generated from our corporate banking business was RMB7,843 million, RMB10,031 million, RMB12,329 million and RMB9,693 million, respectively, representing 74.9%, 74.3%, 70.9% and 55.3%, respectively, of our total operating income. During the same period, our profit before tax from our corporate banking business was RMB3,873 million, RMB4,578 million, RMB4,008 million and RMB1,928 million, respectively, representing 72.3%, 70.2%, 59.0% and 25.7%, respectively, of our total profit before tax.

Corporate Loans

We provide corporate customers with various credit services, including loans and discounted bills for large, medium and small and micro enterprises. As of December 31 of 2012, 2013 and 2014 and September 30, 2015, our total corporate loans were RMB147,384 million, RMB174,206 million, RMB206,952 million and RMB279,514 million, respectively, accounting for 80.8%, 80.2%, 79.9% and 82.4%, respectively, of our total loans extended to customers.

We provide different loan services to different types of corporate customers. The following table sets out our corporate loans by customer type as of the dates indicated.

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	In millions of RMB, except percentages							
Large Enterprises	51,712	35.1%	63,767	36.6%	73,811	35.7%	94,637	33.9%
Medium Enterprises	64,620	43.8%	75,438	43.3%	81,517	39.4%	100,798	36.1%
Small and Micro Enterprises	25,212	17.1%	31,485	18.1%	38,820	18.8%	39,785	14.2%
Discounted Bills	5,840	4.0%	3,516	2.0%	12,803	6.2%	44,294	15.8%
Total Corporate Loans	147,384	100.0%	174,206	100.0%	206,952	100.0%	279,514	100.0%

Loans to Large Enterprises

We provide loans to large enterprises. Large enterprises are one of the core customer groups for our corporate banking business. Our major large enterprise customers include central SOEs, local SOEs and quality private enterprises, including customers from Zhejiang Merchants. We continuously provide timely and efficient financing support to such large enterprises.

As of September 30, 2015, we had established cooperative relationships with more than 90 of the top 100 enterprises in Zhejiang. As of the same date, we had also established cooperative relationships with 11 of the 15 provincial SOEs in Zhejiang.

As of December 31, of 2012, 2013 and 2014 and September 30, 2015, the outstanding loans to our large enterprise customers totaled RMB51,712 million, RMB63,767 million, RMB73,811 million and RMB94,637 million, respectively, representing a CAGR of 19.5% from December 31, 2012 to December 31, 2014. As of September 30, 2015, the outstanding loans to our large enterprise customers accounted for 33.9% of our total outstanding corporate loans.

Loans to Medium Enterprises

We provide loans to medium enterprises. As of December 31, of 2012, 2013 and 2014 and September 30, 2015, the outstanding loans to our medium enterprise customers were RMB64,620 million, RMB75,438 million, RMB81,517 million and RMB100,798 million, respectively, representing a CAGR of 12.3% from December 31, 2012 to December 31, 2014. As of September 30, 2015, the outstanding loans to our medium corporate customers accounted for 36.1% of our total outstanding corporate loans.

Loans to Small and Micro Enterprises

We provide loans to small and micro enterprises. In 2006, we were one of the first commercial banks in the PRC to set up our specialized branch that offers services exclusively for small and micro enterprises. As of September 30, 2015, we had established 18 small enterprise credit centers in our branches and 95 specialized units for small and micro enterprises, which accounted for approximately 75% of our total outlets, making us the industry leader in China. See "— Zheshang Small and Micro Enterprise Business."

As of December 31, of 2012, 2013 and 2014, the outstanding loans to our small and micro enterprise customers totaled RMB25,212 million, RMB31,485 million and RMB38,820 million, respectively, representing a CAGR of 24.1% from December 31, 2012 to December 31, 2014. As of September 30, 2015, the outstanding loans to our small and micro enterprises customers totaled RMB39,785 million, representing an increase of 2.5% as compared with December 31, 2014 and accounting for 14.2% of our total outstanding corporate loans.

Discounted Bills

We purchase bank acceptance bills and commercial acceptance bills with a remaining maturity of 12 months or less from our corporate customers at discounted rates. For our bills pool customers, we also provide an efficient online bill discounting service. As of December 31, of 2012, 2013 and 2014 and September 30, 2015, the balance of our bill discounting service was RMB5,840 million, RMB3,516 million, RMB12,803 million and RMB44,294 million, respectively, accounting for 4.0%, 2.0%, 6.2% and 15.8%, respectively, of our total outstanding corporate loans.

Corporate Deposits

We provide our corporate customers with time deposits and demand deposits denominated in both RMB and foreign currencies (including US Dollar, Japanese Yen, Hong Kong Dollar, Pound Sterling and Euro). We generally offer time deposits with terms of up to five years. In addition, we offer call deposit products, which bear higher interest rates than demand deposit products, while at the same time providing a certain level of flexibility by allowing customers to make withdrawals after a notice period ranging from one to seven days.

We provide diversified and characteristic services for various corporate customers so as to extend the source of our deposits. For example, we offer electronic corporate deposit services to our customers, such as "E-Deposit" ("如e存"), which is an online time deposit service. Customers may use this service at any time through our website without opening an account with us by remitting deposits to us from accounts opened at other banks in their name. We also provide deposit services for institutions such as government agencies and public sector entities. In addition, we have developed and issued certificate of deposit products. We believe that providing diversified services will help us expand our customer base and obtain a stable source of deposits.

As of December 31, of 2012, 2013 and 2014, our total corporate deposits were RMB237,944 million, RMB289,947 million and RMB336,921 million, respectively, representing a CAGR of 19.0% from December 31, 2012 to December 31, 2014. As of September 30, 2015, our total corporate deposits were RMB472,663 million, among which 97.5% was denominated in RMB and 2.5% was denominated in foreign currencies. The following table sets out our corporate deposits by product type as of the dates indicated.

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	In millions of RMB, except percentages							
Demand deposits	99,255	41.7%	116,860	40.3%	125,004	37.1%	164,485	34.8%
Time deposits	138,689	58.3%	173,086	59.7%	211,917	62.9%	308,178	65.2%
Total Corporate deposits	237,944	100.0%	289,947	100.0%	336,921	100.0%	472,663	100.0%

Intermediary Business Products and Services

We provide our corporate customers with a broad range of intermediary business products and services, including services related to investment banking, settlement, agency and custody and wealth management, acceptance and guarantees. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our net fee and commission income from our intermediary business products and services was RMB403 million, RMB1,424 million, RMB2,016 million and RMB1,258 million, respectively, accounting for 5.1%, 14.2%, 16.4% and 13.0%, respectively, of total operating income from our corporate banking business. From December 31, 2012 to December 31, 2014, net revenues from our fee-and commission-based intermediary business products and services (including international settlement services) increased at a CAGR of 123.6%.

Investment Banking Business

Our investment banking business is crucial to promoting our "full-asset class operation" strategy and developing asset-light businesses. Our investment banking business includes bond underwriting, M&A services, structured financing and asset securitization.

Our investment banking business has received a number of awards and recognitions from the *Securities Times* in recent years, such as "Highest Growth in Investment Banking among Commercial Banks" ("最具成長性銀行投行") in 2010, "Most Innovative Investment Bank among Commercial Banks" ("最佳創新銀行投行") in 2011, "The Most Competitive Investment Bank among Commercial Banks" ("最具競爭力銀行投行") in 2012, 2013 and 2014 and "Grand Awards for the Best Bank of Investment Banking (Industry)—Integrated Awards of the Infrastructure Industry" ("最佳銀行（行業）投行綜合大獎—基礎建設行業等綜合獎項") in 2015. In addition to these high level awards and recognitions, our investment banking business has also been awarded a number of individual awards and recognitions by the *Securities Times*, such as "Best M&A Service Project" ("最佳並購服務項目") in 2010, "Best Bond Financing Project" ("最佳債券融資項目") and "Best Assets Management Project" ("最佳資產管理項目") in 2011, "Best Mid-Term Bills" ("最佳中期票據") in 2012, "Best Small and Medium Enterprises Collective Bills" ("最佳中小企業集合票據") in 2013, "Best Private Placement Bonds" ("最佳私募債券") in 2014 and "The Best Bond Underwriting Bank" ("最佳債券承銷銀行") and "The Investment Bank Most Respected by Investors" ("最受投資者尊重的投行") in 2015.

Bond Underwriting

Since obtaining the licenses for underwriting commercial paper in 2005, we have been actively participating in the syndication, distribution and underwriting of commercial papers, and obtained lead underwriter qualification in September 2008. For the years ended December 31, of 2012, 2013 and 2014 and the nine months ended September 30, 2015, we had underwritten RMB21,377 million, RMB30,640 million, RMB53,547 million and RMB47,101 million of debt financing instruments of non-financial enterprises, respectively, representing a CAGR of 58.3% from December 31, 2012 to December 31, 2014.

In 2014, we ranked fourth and second out of 36 lead underwriters in terms of year-on-year growth of underwriting size and number of deals underwritten, respectively, in the rankings published by the National Association of Financial Market Institutional Investors (NAFMII). As of September 30, 2015, we had acted as lead underwriter for bond issuers from 22 provinces (including provincial level municipalities) in the PRC.

We are also one of the underwriters for book-entry bonds issued by the MOF and policy bank bonds issued by China Development Bank, Export-Import Bank of China and Agricultural Development Bank of China.

In addition to maintaining strong growth in the amount of bonds underwritten, we have also focused on product innovation. We issued a total of six Small and Medium Enterprise Collective Notes (SMECN) in 2012, which helped 17 small and medium enterprises raise RMB1,127 million and accounted for 15.4% of the number of issuers of SMECNs in the national inter-bank financing market for small and medium enterprises, and 13.4% of the total amount raised by SMECNs in 2012. In November 2012, we took advantage of the development of the multi-layer capital markets in the PRC and acted as the lead underwriter of placement of a RMB100 million private bond which was the first private placement bond in the Zhejiang Equity Transaction Center. In 2013, we acted as the lead underwriter for the Bank of Chongqing's issuance of small and micro enterprise special purpose financial bonds in the amount of RMB3 billion, which marked our breakthrough into the financial bond underwriting business.

M&A Services

We provide corporate customers with M&A services, which include M&A financing and advisory services. In 2010, we were recognized as having the "Best M&A Project" ("最佳併購服務項目") by the *Securities Times*. Our M&A advisory services primarily involve assisting listed companies customers with industry upgrading and consolidation and enterprise restructuring. Through such services, we strive to help our customers develop new business lines and diversify their business operations.

Structured Financing and Asset Securitization

Our investment banking business also provides structured financing and asset securitization services. With respect to structured financing, we mainly provide financial services to our customers by utilizing special purpose vehicles and designing transaction structures that are in compliance with PRC laws and regulations. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, we provided structured financing to our corporate customers totaling RMB20,172 million, RMB70,850 million, RMB46,295 million and RMB125,250 million, respectively.

We closely follow the development of asset securitization products issued and traded in the inter-bank bond market, and analyze the feasibility of securitizing the loan portfolios of certain individual business owners and micro finance companies, so as to improve our small and medium enterprise financing services. In November 2008, we introduced "Zheyuan Phase-I Small and Micro Enterprise Credit Asset-backed Securities" ("浙元一期中小企業信貸資產支持證券"), which were the first small and medium enterprise credit asset-backed securities in the PRC. In July 2015, we issued our 2015 Zheyuan Phase-I Small and Medium Enterprise Credit Asset-backed Securities with an aggregate amount of RMB1,821 million.

Settlement Services

We provide our corporate customers with settlement services, including transfer and remittance services, agency payment collection services and services relating to bank notes, bank drafts, checks and commercial bills. As of September 30, 2015, we had approximately 49,600 corporate settlement accounts. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our domestic corporate settlement amounts were RMB4,477.7 billion, RMB5,130.4 billion, RMB5,141.5 billion and RMB4,943.0 billion, respectively.

Agency Services

Our agency services for corporate customers primarily include entrusted loan services and services for agency account receivable financing under domestic letters of credit and agency account receivable transfers under letters of guarantees for payment.

Custody Services

We obtained a license to provide custody services for securities investment funds and insurance funds in November 2013 and December 2014, respectively. Our custody services now cover mutual funds for securities investment, assets management plans for specific customers, insurance assets, trust plans, commercial bank wealth management products and private equity funds. In early 2015, we obtained authorization to provide custody services for our first mutual fund, the "E-fund Zengjinbao Money Market Fund" ("易方達增金寶貨幣市場基金"). As of September 30, 2015, we had provided custody services to four mutual funds with an aggregate size of RMB10,764 million. As of September 30, 2015, our assets under custody arrangements reached RMB189,189 million.

Wealth Management Services

We offer wealth management products with different terms and yields based on market conditions and our customers' needs and risk appetites. We provide a wide range of products to corporate customers through developing various types of bonds and inter-bank deposit wealth management products under our "Yongle" ("永樂") brand. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the sales amounts of our wealth management products to corporate customers totaled RMB45,253 million, RMB37,789 million, RMB69,756 million and RMB159,078 million, respectively, representing a CAGR of 24.2% from December 31, 2012 to December 31, 2014. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balances of our wealth management products were RMB50,673 million, RMB42,804 million, RMB28,297 million and RMB126,203 million, respectively. See "—Treasury Business—Treasury Business Conducted on Behalf of Customers".

Acceptance and Guarantee

We provide corporate customers with letters of credit, bills and other forms of bank guarantees.

International Trade Financing and Settlement Services

International Trade Financing Services

We provide corporate customers which engage in import activities with services related to import letters of credit, import financing, shipping guarantees, overseas refinancing and cross-border guarantees. For our corporate customers which engage in export activities, we provide services relating to packaged loans, export bills purchasing, export invoice financing, credit insurance financing and forfeiting. Our customers are also able to finance and manage their liquidity through our "Export Pool" ("出口池").

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balances for our international trade financing services were USD1,002 million, USD1,975 million, USD2,779 million and USD6,166 million, respectively, representing a CAGR of 66.5% from December 31, 2012 to December 31, 2014.

International Settlement Services

We provide importers and exporters with a wide range of international settlement services, such as services relating to export letters of credit settlement, export collection, import letters of credit settlement, inward collection, inward remittance, outward remittance and cross-border RMB settlement. For our documentary credit business, we have centralized settlement, and process of all documents for our entire Bank at a processing center at our head office. For our foreign exchange settlement business, all foreign exchange settlement is also processed at our head office, which reduces the number of intermediate steps and allows for automatic settlement. We also process over the counter foreign exchange business in a centralized manner. Orders are submitted to sub-centers for processing and examination after having been accepted by each outlet, which helps us ensure efficiency and mitigate operational risks.

For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the transaction volumes for our international trade settlement business were USD10,899 million, USD8,943 million, USD13,342 million and USD21,133 million, respectively. During the same periods, our income from intermediary business of international business was RMB58.98 million, RMB66.16 million, RMB84.75 million and RMB149.54 million, respectively, representing a CAGR of 19.9% from December 31, 2012 to December 31, 2104.

Other Services

We engage in foreign exchange agency transactions with our customers (primarily importers, exporters and cross-border investment and financing companies) acting as principals. Our services mainly include services related to spot, forward and swaps transactions, which help our customers mitigate exchange rate risks and preserve and increase the value of their holdings.

For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the transaction volumes of our foreign exchange agency transactions were USD3,758 million, USD3,897 million, USD3,957 million and USD5,224 million, respectively.

Featured Products and Services

In light of the liquidity management demands of our corporate customers, especially our large and medium-sized customers, we have developed a comprehensive "pooled financing" business model which is in line with our "full-asset class operation" strategy. Our "pooled financing" services are exemplified by our "Yongjin Bills Pool" ("涌金票據池"), "Yongjin Export Pool" ("涌金出口池") and "Yongjin Assets Pool" ("涌金資產池"). See "—Our Strengths—To meet our corporate customers' liquidity management demands, we have established an innovative corporate banking business featuring specialized 'pooled financing' services."

Customer Base

We seek to maintain long-term cooperative relationships with our core customers through providing customized and high-quality services. Large and medium enterprises are one of the major customer groups of our corporate banking business. Our high quality core customers include large central SOEs, local SOEs in Zhejiang and quality private enterprises, including customers from the Zhejiang Merchants. We have set up VIP clients departments at both our head office in Hangzhou and in Beijing in order to better provide customized services to large enterprise customers. We also provide customized services for other customers, such as government agencies and public service entities.

We focus on continuously optimizing our customer structure. Small and micro enterprise customers have become a strategically significant customer group to us. See "—Zheshang Small and Micro Enterprise Business."

We also focus on developing long-term strategic relationships with our core customers. We have signed strategic cooperation agreements with some of our core customers covering such topics as corporate banking (including credit, bill and cash management), investment banking (including bond underwriting) and asset management.

In addition, we strive to forge long-term business relationships with enterprises in developed areas of the PRC, such as the Yangtze River Delta Area, the Bohai Rim Area and the Pearl River Delta Area. As of September 30, 2015, the majority of our corporate loan customers and corporate deposit customers were located in those three areas. In Zhejiang, we have established business relationships with more than 90 of the top 100 enterprises in Zhejiang. In addition, 11 of the 15 provincial SOEs in Zhejiang have also established cooperative relationships with us. These enterprises are all supported by preferential national and regional policies. As a result, we have been able to expand our presence in the market and optimize our structure.

Retail Banking Business

Overview

Our retail banking business provides retail customers with diversified products and services, including personal loans, personal deposits, bank cards and intermediary business services, and has achieve decent growth in recent years. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, income from our retail banking business was RMB1,345 million, RMB1,567 million, RMB1,994 million and RMB1,693 million, respectively, which accounted for 12.9%, 11.6%, 11.5% and 9.7% of our total operating income, respectively. As of September 30, 2015, we had approximately 1,424,500 personal deposit customers and 82,343 personal loan customers.

Personal Loans

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	In millions of RMB, except percentages							
Personal Business Loans	33,910	97.1%	42,050	97.9%	51,264	98.4%	57,415	96.3%
Residential Mortgage Loans	665	1.9%	595	1.4%	660	1.3%	1,822	3.1%
Others[(1)]	347	1.0%	286	0.7%	148	0.3%	387	0.6%
Total Personal Loans	34,922	100.0%	42,931	100.0%	52,071	100.0%	59,624	100.0%

Note:

(1) Mainly includes personal consumption loans and overdrawn credit cards.

Personal Business Loans

Personal business loans refer to loans to individuals, such as individual business owners, farmers and owners of small enterprises, which are to be used in various projects and operations. We are committed to providing a range of high-quality, comprehensive and dedicated financial services and solutions to small and micro enterprise entrepreneurs and individual business owners through our standardized management method. See "—Zheshang Small and Micro Enterprise Business."

Residential Mortgage Loans

We provide residential mortgage loans to retail customers. These residential mortgage loans primarily include first-hand housing mortgage loans and second-hand housing mortgage loans. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balances of our residential mortgage loans were RMB665 million, RMB595 million, RMB660 million and RMB1,822 million, respectively, accounting for 1.9%, 1.4%, 1.3% and 3.1%, respectively, of our total personal loans.

Others

Other personal loans mainly include personal consumption loans and overdrawn credit cards. We provide loans to our retail customers for their general usage (excluding real estate purchasing), such as for home improvement projects and purchases of durables and automobiles. Such loans are generally secured by a borrower's property or other acceptable collateral. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balances of our personal consumption loans and overdrawn credit cards were RMB347 million, RMB286 million, RMB148 million and RMB387 million, respectively, accounting for 1.0%, 0.7%, 0.3% and 0.6%, respectively, of our total personal loans.

Personal Deposits

We provide time and demand deposits denominated in RMB and foreign currencies service to our retail customers. The majority of such deposits are denominated in RMB. We offer time deposits with maturities generally ranging from three months to five years. For foreign currency-denominated time deposits (which are primarily denominated in US Dollar, Japanese Yen, HK Dollar, Pound Sterling and Euros), the maturities usually range from one month to two years.

As of September 30, 2015, our total personal deposits was RMB19,247 million, accounting for 3.9% of our total deposits. From December 31, 2012 to December 31, 2014, our personal deposits increased from RMB22,009 million to RMB22,743 million. The following table sets out a breakdown of our personal deposits as of the dates indicated.

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	In millions of RMB, except percentages							
Demand deposit	4,732	21.5%	5,218	22.6%	5,297	23.3%	3,526	18.3%
Time deposit	17,277	78.5%	17,890	77.4%	17,447	76.7%	15,721	81.7%
Total personal deposits	22,009	100.0%	23,108	100.0%	22,743	100.0%	19,247	100.0%

Bank Cards

We provide various types of bank card products to our retail customers, including debit cards and credit cards.

Debit Cards

We issue various types of debit cards to retail customers who have deposit accounts with us. Our debit card customers can enjoy various financial services, such as cash deposit and withdrawal services, money transfer services and settlement and payment services. Our debit cards also have other functions, including pre-arranged deposit functions, automatic payment functions and agency collection and payment functions. We issue classic cards and gold cards based on the type of customers. Income from our debit cards business is mainly generated from commissions charged to merchants who accept our cards and service fees charged to cardholders.

As of December 31, 2012, 2013 and 2014, the accumulative number of our debit cards issued was approximately 320,500, 1,497,100 and 2,149,200, respectively, representing a CAGR of 159.0% from December 31, 2012 to December 31, 2014. As of September 30, 2015, the accumulative number of our debit cards issued was 2,717,000. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our debit card transaction amount totaled RMB6,998 million, RMB8,636 million, RMB9,107 million and RMB7,805 million, respectively.

Credit Cards

We launched our credit card business in April 2015. We intended to turn this business into a new profit source through innovating and providing specialized services in niche business fields. We will also focus on improving our customers' experiences and on developing our customer base by increasing the number of our young customers. For example, we issued a credit card product with an automobile theme which provides services relating to automobiles, such as discount services for car washes, automobile insurance and gas refills, as well as free roadside assistance services. We are also committed to promoting technological innovation and are actively developing virtual credit cards to further optimize our internet financing system. As of September 30, 2015, we had 102,907 credit card customers and had issued 103,929 credit cards, with total credit card spending reaching approximately RMB642 million.

Intermediary Business Products and Services

We provide our retail customers with a broad range of intermediary business products and services, including personal wealth management services, payment and settlement services and agency services. We are committed to promoting product innovation, channel expansion and services optimization. With respect to our products and services, after initiating our personal wealth management business in April 2005, we launched our agency services business, which includes insurance agency sales, funds agency sales and gold agency trading. With respect to our distribution channels, our customers can enjoy our products and services in a convenient way at retail locations or through mobile and online banking platforms, smartphone applications and direct-selling banking channels. In order to provide professional and efficient services to our customers, our marketing personnel covering wealth management and insurance and fund agency services are required to obtain the appropriate credentials and qualifications before taking up their positions.

Personal Wealth Management Services

For our personal wealth management services, we select underlying asset with relatively low risk and stable returns, and primarily invest in fixed income products, such as bonds, money market instruments and deposits. We enforce a differential pricing system for our products based on the overall contribution of our customers to our Bank in order to strengthen loyalty of our mid- to high-end retail banking customers. We are committed to enriching our product range and developing businesses in accordance with market demands. We are dedicated to achieving rapid development of our personal wealth management business by expanding the categories of our personal wealth management products according to market needs, optimizing the issue and maturity dates of the products we offer, developing more non-principal-protected wealth management products, providing products with competitive advantages, consistently enforcing compliance with respect to sales and actively building our brand and promoting our products.

For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the total sale amounts of our personal wealth management services were RMB5,028 million, RMB9,320 million, RMB62,283 million and RMB80,676 million, respectively, representing a CAGR of 252.0% from December 31, 2012 to December 31, 2014. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balances of our personal wealth management products were RMB986 million, RMB3,264 million, RMB14,871 million and RMB42,200 million, respectively, representing a CAGR of 288.4% from December 31, 2012 to December 31, 2014. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, revenue from our personal wealth management products was RMB2 million, RMB2 million, RMB104 million and RMB252 million, respectively, representing a CAGR of 621.1% from December 31, 2012 to December 31, 2014. As of September 30, 2015, we had approximately 118,747 personal wealth management customers. See "—Treasury Business—Treasury Business Conducted on Behalf of Customers."

In August 2015, we were a pioneer in our industry in launching an online transaction platform that allows our customers to trade personal wealth management products among themselves. Customers can trade our personal wealth management products among themselves through our online banking system or mobile applications. At present, all of our close-end wealth management products can be traded through our online transaction platform without geographical restrictions. The transaction price is flexible. The transactions are currently not subject to handling charges and we will review the operation of the platform periodically to decide whether to charge a fee for such services. We are responsible for operating the trading platform, providing settlement and delivery services and publishing the relevant trading information on the trading platform. In order to avoid transaction risks on this platform, we conduct qualification review and suitability assessment for investors who use our transaction platform. Users of such platform must be our existing customers of our personal wealth management products. We conduct entry review and assign risk ratings to such customers. On our online transaction platform, customers are not allowed to buy personal wealth management products with a risk rating higher than the risk level that such customers are rated. In conjunction with the risk assessment on existing customers of our personal wealth management products, customers using our online transaction platform are subject to the annual risk assessment as required by the CBRC in accordance with the relevant rules and regulations.

We conduct the business of such transaction platform within the regulatory framework relating to wealth management products, see "Supervision and Regulation—Regulation on Major Business of Commercial Banks—Wealth Management Business". From the launch of this transaction platform to September 30, 2015, our matching rate for transfers of personal wealth management products exceeded 96.3%, with a total transaction amount of RMB53 million.

Payment and Settlement Services

We provide our retail customers with payment and settlement services, including RMB and foreign currency-denominated money transfer services, remittance and collection services and services relating to the settlement of cashier's checks, bank drafts and bank checks. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the transaction volumes of our RMB-denominated settlement business were RMB660 billion, RMB682.1 billion, RMB747.4 billion and RMB750.5 billion, respectively.

Agency Services

The agency services we provide for retail customers primarily include agency services relating to the sales of insurance products and investment fund products, as well as gold trading.

Agency Sales of Insurance Products

We launched our insurance products sales business in March 2008. As of September 30, 2015, we had established agency relationships with 13 insurance companies, including nine property and casualty insurance companies and four life insurance companies.

Agency Sales of Investment Fund Products

We launched our investment fund products sales business in October 2008. As of September 30, 2015, we had established agency relationships with 19 fund companies and offered 446 different products. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, we recorded 5,813, 6,163, 6,686 and 1,138,788 sales of investment fund products, respectively, with the sales amounts totaling RMB57 million, RMB117 million, RMB244 million and RMB83,701 million, respectively.

Agency Gold Trading

We launched our gold trading agency business in July 2013. As of September 30, 2015, we had entered into agreements with 492 retail gold trading customers and had cumulatively traded RMB406.2 thousand worth of gold and RMB21,178.7 thousand worth of silver on the Shanghai Gold Exchange.

Featured Products and Services

In order to attract more retail customers, in 2015, we developed our featured "Zengjinbao" ("增金寶") wealth management product. Through this product, our debit card customers can authorize us to invest their deposits in specific current accounts in designated money market funds. At the same time, the funds invested can be redeemed instantly so as to be used for money transfers, spending or cash withdrawals. The processes of purchasing products and redemption are all initiated automatically by the system without the need for human interaction and without amount limits. The funds invested can be used for debit card spending, money transfers and cash withdrawals and can also be used to purchase wealth management products and repay credit card bills. So doing facilitates seamless transactions between investing and spending. The yield of our "Zengjinbao" ("增金寶") wealth management product is calculated from the first trading day after the product is purchased with daily dividends and compound interest investment. This product has the advantage of offering high yields, being flexible and providing enhanced security. As of September 30, 2015, which was seven months after our "Zengjinbao" ("增金寶") product was introduced, the cumulative sale amount (i.e. customers' principals invested in the product) of "Zengjinbao" ("增金寶") had reached RMB81,346 million, the balances of unredeemed products (i.e. customers' unredeemed principals and interest in the product) amounted to RMB6,463 million and the cumulative number of customers who had purchased our "Zengjinbao" ("增金寶") product reached approximately 542,000, having attracted approximately 482,000 new individual customers for us.

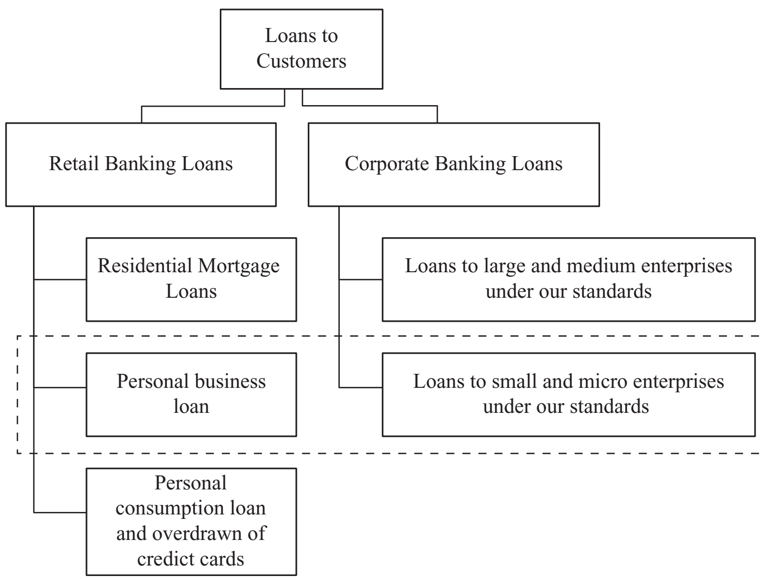
Customer Base

As a result of our high-quality financial services and positive brand image, the number of our retail banking customers has been increasing rapidly. As of December 31, 2012, 2013 and 2014 and September 30, 2015, we had approximately 453,000, 833,000, 872,000 and 1,425,000 personal deposit customers, representing a CAGR of 39.0% from December 31, 2012 to December 31, 2014. As of the same dates, we had 47,092, 59,405, 72,551 and 82,343 personal loan customers, respectively, representing a CAGR of 24.1% from December 31, 2012 to December 31, 2014.

We focus on the joint development of mass-market customers and mid-to-high-end customers. From December 31, 2012 to September 30, 2015, the number of our mid-to-high-end customers with more than RMB100,000 in financial assets had increased from 52,058 to 116,715, representing a CAGR of 27.5% from December 31, 2012 to December 31, 2014.

Zheshang Small and Micro Enterprises Business

Our small and micro enterprises business provides credit and loan services to small and micro enterprises, as well as individual business owners, which meet our standards. This business includes, our corporate banking business (loans provided to small and micro enterprises which meet our standards) and our retail banking business (personal business loans). Unless otherwise indicated, small and micro enterprises mentioned in this section are such entities under our standard. The chart below illustrates our loan business structure. The dotted portion indicates the composition of our small and micro enterprises business.



The following table sets out a breakdown of the balances of our loans to small and micro enterprises by borrower type as of the dates indicated.

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	In millions of RMB, except percentages							
Loan to small and micro enterprises	13,438	28.4%	14,850	26.1%	15,717	23.5%	16,140	21.9%
Personal business loan	33,910	71.6%	42,050	73.9%	51,264	76.5%	57,415	78.1%
Total Amount of Loans to small and micro enterprises	**47,347**	**100.0%**	**56,900**	**100.0%**	**66,981**	**100.0%**	**73,555**	**100.0%**

Through effective risk management and screening for high-quality customers, our small and micro enterprises business has maintained solid asset quality and high yields with a low non-performing loan ratio. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, almost all of our small and micro enterprise loans (including loans to individual business owners) were priced above the PBOC benchmark interest rate for the same period. The yields for such loans exceeded the PBOC benchmark interest rate by 30.81%, 26.05%, 27.67% and 37.61%, respectively. As a result of changes in the macro-economy, the non-performing loan ratios of our loans to small and micro enterprises have increased slightly in recent years. As of September 30, 2015, the non-performing loan ratio for our small and micro enterprises business (including individual business owners) was 1.11%. Such ratio is still relatively low and was below our average non-performing loan ratio as of the same date.

We have established a distinctive set of systems and business operation mechanisms that are suitable to small and micro enterprises. We have innovatively developed featured products that move beyond traditional mortgages and pledges, such as our "Bridge and Tunnel Mode" ("橋隧模式"), "Villagers Guaranteed Loan" ("村民保證貸"), "One-Day-Loan" ("一日貸") , "Three-Year-Loan" ("三年貸"), "Max Loan" ("全額貸") and "Convenient Loan" ("便利貸") products. Such products are suitable for small and micro enterprises at different development stages. We also strive to promote product innovation so as to distinguish our offerings from those of our competitors. For example, considering the amount of time required for small and micro enterprises to utilize funding and relatively long fund transfer process, our "Three-Year Loan" product adopts an innovative repayment method where borrowers collateralize their real estate and only need to go through the application process once. They can choose to pay interest on a monthly or quarterly basis, and repay the principal only upon maturity. As of December 31, 2014, the non-performing loan ratio of this product was 0.35%. Our featured products for small and micro enterprises were included in the "Top Ten Featured Products Serving Small Businesses and Three Agriculture" ("服務小企業及三農十佳特色產品") published by the China Banking Association from 2009 to 2011, making us the only domestic commercial bank to have obtained such recognition three consecutive times.

In May 2013, we began to pilot and promote our non-collateralized micro personal business loans. We extend such unsecured personal business loans to individual customers on a credit/guarantee basis with the credit limit of RMB750,000. As of September 30, 2015, we had established 10 non-collateralized micro personal business loan pilot units in such cities as Hangzhou, Nanjing, Chongqing, Ningbo, Wenzhou and Shaoxing. As of the same date, the balance of our non-collateralized micro personal business loans was RMB1,080 million, representing an increase of 64.6% compared to December 31, 2014. For the years ended December 31, 2013 and 2014 and for the nine months ended September 30, 2015, all of our non-collateralized micro personal business loans were priced above the PBOC benchmark interest rate. In particular, the yields for such loans exceeded the PBOC benchmark interest rate by 85.70% in 2013. Such figure increased to 115.83% for the first nine months of 2015. As of December 31, 2013 and 2014 and September 30, 2015, the non-performing loan ratios for our non-collateralized micro personal business loans were 0.00%, 0.02% and 0.38%, respectively.

Our small and micro enterprises business has been an important revenue growth engine for us. As of December 31, 2014, the balance of our loans to small and micro enterprises (including individual business owners) per outlet exceeded RMB700 million, which was higher than those of all the listed nationwide joint-stock commercial banks. Benefiting from our first mover advantage and ongoing product innovation, we have attained a leading position in the industry. See "—Our Strengths—We have leading professional capabilities with respect to the small and micro enterprise business."

In order to take advantage of the opportunities resulting from the development and growth of small and micro enterprises in the PRC, in 2006, we set up our specialized branch which offers services exclusively to small and micro enterprises. As of September 30, 2015, we had 18 small business credit centers in our branches and 95 specialized branches for small and micro enterprises in such cities as Beijing, Tianjin, Shanghai, Nanjing, Suzhou, Ji'nan, Shenzhen, Chongqing, Chengdu, Xi'an, Lanzhou, Hangzhou, Ningbo, Wenzhou, Shaoxing, Yiwu, Zhoushan and Taizhou. These specialized branches accounted for approximately 75% of our distribution outlets as of September 30, 2015.

Customer Base

Small and micro enterprises, as well as individual business owners, are the pillars of our small and micro enterprises business. Individual business owners mainly include entrepreneurs, farmers and owners of small enterprises. Following our "small, great and local" ("近、小、好") customers positioning concept, we focus on developing customers which have low credit limits (not more than RMB5 million), limited credit exposure to other banks and clearly defined main businesses.

Leveraging our geographical proximity to a large number of the PRC's private enterprises, we constantly adjust, calibrate and innovate our services and products so as to meet customers' demands during different stages of development. In addition, we have been increasing the number of pilot institutions for customers seeking small loans and expanding our customer base for our non-collateralized micro personal business loans, all of which are intended to build a customer base which will strategically meet our development needs. As of December 31, 2013 and 2014 and September 30, 2015, the number of our non-collateralized micro personal business loans customers reached 641, 2,411 and 4,621, respectively. As of September 30, 2015, the average balance per account of our non-collateralized micro personal business loans was approximately RMB280,800.

We also strive to optimize our customer structure. Except for customers from traditional manufacturing industries and trading businesses, we actively enlarge our customer base by approaching customers from tertiary and emerging industries in urban areas, thereby promoting cross marketing and allowing us to continuously expand our business.

Treasury Business

Our treasury business primarily comprises money market business, investments in bonds and other financial asset, foreign exchange and derivative trading and treasury business conducted on behalf of customers. In recent years, our treasury business has experienced rapid growth. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, revenue from our treasury operations was RMB1,254 million, RMB1,865 million, RMB3,039 million and RMB6,128 million, respectively, representing a CAGR of 55.7% from December 31, 2012 to December 31, 2014.

Money Market Business

Our money market business mainly includes (i) short-term placements with and from banks and other financial institutions and deposits with and from banks and other financial institutions; (ii) securities repurchases and reverse repurchases with banks and other financial institutions (the financial assets involved in such securities transactions are primarily bonds issued by the PRC central government and policy banks);and (iii) notes and other assets purchased under resale agreements with other banks. We use money market transactions to meet our liquidity needs.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the aggregate balances of our placements with banks and other financial institutions and bonds purchased under resale agreements were RMB12,618 million, RMB17,573 million, RMB9,726 million and RMB31,520 million, respectively, and the aggregate balances of our deposits with other banks and other financial assets (including bills) purchased under resale agreements were RMB105,107 million, RMB140,948 million, RMB83,959 million and RMB79,291 million, respectively, which collectively accounted for 29.9%, 32.5%, 14.0% and 11.0%, respectively, of our total assets. As of the same date, the cumulative balances of placements from banks and other financial institutions with us and bonds sold under repurchase agreements were RMB18,889 million, RMB13,176 million, RMB25,855 million and RMB26,915 million, respectively, which accounted for 5.1%, 2.9%, 4.1% and 2.8%, respectively, of our total liabilities.

Investments in Bond and Other Financial Assets

Bond Investments

Our bond investments primarily comprise investments in government bonds and bonds issued by policy banks and other financial and non-financial institutions. The following table sets out a breakdown of our bond investments as of the dates indicated.

	As of December 31,			As of September 30,
	2012	2013	2014	2015
	In millions of RMB			
Government bonds	3,774	2,226	6,945	21,544
Bonds issued by financial institutions (including negotiable certificates of deposit)	16,522	22,289	35,379	46,634
Enterprise bonds	1,054	3,049	9,703	10,233
Total	21,350	27,564	52,028	78,411

As of December 31, 2012, 2013 and 2014 and September 30, 2015, we held bond investments with an aggregate principal amount of RMB21,350 million, RMB27,564 million, RMB52,028 million and RMB78,411 million, respectively. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the interest income from our bond investments totaled RMB607 million, RMB807 million, RMB1,606 million and RMB2,107 million, respectively.

For our bond investments, we continuously monitor changes to the credit conditions of relevant assets and use various analytical tools to conduct scenario analyses of market risks, such as adverse movements of asset prices and benchmark interest rates, so as to develop corresponding contingency plans and timely adjust our investment strategies. See "Risk Management—Credit Risk Management—Credit Risk Management for Treasury Business—Credit Risk Management with respect to Bond Investment Business", "Risk Management—Market Risk Management—Market Risk Management for our Bank Accounts" and "Risk Management—Market Risk Management—Market Risk Management for the Trading Accounts".

Investment in Other Financial Assets

Our investments in other financial assets mainly include investments in trust plans managed by trust companies, asset management plans managed by securities and insurance organizations and wealth management products issued by other PRC commercial banks. Our investments in these three types of assets have increased significantly during the Track Record Period which had driven the growth of our treasury business. Such increase was mainly because we have actively strengthened our cooperation with banks and non-banking financial institutions to expand our treasury business, since we believe such investments would provide reasonable returns with manageable risks. Such increase is also attributable to, among other things, (i) our implementation of the "full-asset class operation" strategy whereby we reduced our reliance on the traditional model of providing deposit, loan and remittance services, (ii) our adjustment on asset allocation focusing on profitability while maintaining effective risk management, and (iii) our active response to the challenges that the traditional credit business faces, such as interest rate liberalization and narrowing interest spread. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of our investments in trust plans, asset management plans and wealth management products amounted to RMB10,435 million, RMB19,159 million, RMB156,849 million and RMB387,170 million, respectively, representing 2.6%, 3.9%, 23.4% and 38.6%, respectively, of our total assets as of the respective dates.

For the years ended December 31, 2012, 2013 and 2014 and for the nine months ended September 30, 2015, the interest income from our investments in trust plans, asset management plans and wealth management products were RMB248 million, RMB609 million, RMB4,354 million, and RMB13,322 million, respectively, representing 1.3%, 2.6%, 13.5% and 38.8% of our total interest income, respectively, and the average investment yields on such investments were 6.0%, 5.9%, 6.8%, and 6.4%, respectively.

Our investments in trust plans, asset management plans and wealth management products are all treated as debt instruments classified as receivables on our financial statements. During the Track Record Period, the principal and returns of our investments in all of these assets were paid to us as scheduled without any default.

We have formulated a liquidity risk contingency plan in relation to these assets. We seek to adopt appropriate contingency measures based on the level of liquidity risks. To meet short-term liquidity needs, we generally use our high quality liquid assets reserves and initiate relevant fund allocation procedures to bring the liquidity indicators to an appropriate level. Under extreme circumstances where the disposal of our investments in trust plans, asset management plans and wealth management products is not feasible and therefore cannot provide sufficient liquidity support, we will review the potential impact to determine appropriate measures, including the control or suspension of certain new asset businesses and disposal of certain assets to maintain sufficient liquidity support.

The following table sets forth the breakdown of our investments in trust plans, asset management plans and wealth management products in term of the level of collateralization as of the dates indicated.

	As of September 30, 2015		
	Trust plans	**Assets management plans**	**Wealth management products**
	in millions of RMB, except percentages		
Pledged by certificates of deposit	34,863	26,173	—
Guaranteed by third-party	24,260	2,445	—
Guaranteed by credit of financial institutions	13,460	76,822	198,061
Secured by non-cash collateral and pledges	5,205	590	—
Sub-total	77,788	106,030	198,061
% of total	97.0%	97.4%	100.0%
Unsecured	2,405	2,886	—
% of total	3.0%	2.6%	—
Total	**80,193**	**108,916**	**198,061**

The following table sets forth, as of September 30, 2015, the distribution of our total investments in trust plans and asset management plans in term of industry classification.

	As of September 30, 2015			
	Trust plans	Assets management plans	Total	% of total
	in millions of RMB, except percentages			
Administration of water conservancy, environment and public facilities	39,644	5,687	45,331	24.0%
Real estate	15,328	12,073	27,401	14.5%
Leasing and commercial services	11,694	5,550	17,244	9.1%
Manufacturing	2,710	2,890	5,600	3.0%
Wholesale and retail trade	2,237	1,294	3,531	1.9%
Financing	514	76,201	76,715	40.6%
Construction	4,319	1,071	5,390	2.9%
Others	3,747	4,150	7,897	4.0%
Total	**80,193**	**108,916**	**189,109**	**100.0%**

The following table sets forth, as of September 30, 2015, the distribution of our total investments in trust plans, asset management plans and wealth management products in term of remaining maturity.

	As of September 30, 2015				
	Trust plans	Assets management plans	Wealth management products	Total	% of total
	in millions of RMB, except percentages				
Due in up to 3 months	64	38,558	35,708	74,330	19.2%
Due in over 3 months up to 1 year	13,565	64,021	153,998	231,584	59.8%
Due in over 1 year up to 5 years	65,064	5,597	8,355	79,016	20.4%
Due in over 5 years	1,500	740	0	2,240	0.6%
Total	**80,193**	**108,916**	**198,061**	**387,170**	**100.0%**

In April 2014, the CBRC, jointly with other government authorities, issued the Notice on the Regulation of Interbank Business in Financial Institutions (《關於規範金融機構同業業務的通知》, "Circular 127"), which provides that financial assets purchased for resale (sold under repurchase agreements) shall be bank acceptance bill, bond, central bank bill and other highly liquid financial assets traded on the interbank market and the stock exchanges with reasonable fair value. The same circular also provides that the financial institutions that engage in the businesses of purchase for resale (sales under repurchase agreements) and interbank investment shall not accept or offer any direct or indirect, explicit or implicit credit guarantee from or to third-party financial institutions, unless otherwise stipulated by the government. Since Circular 127 became effective, the financial assets purchased for resale (sold under repurchase agreements) by us all meet the relevant requirements under the Circular 127 and we no longer accept or offer any credit guarantee from or to third-party financial institutions in the conduct of businesses of purchase for resale (sales under repurchase agreements) and interbank investment business. For further details on Circular 127, see "Supervision and Regulation—Regulation on Major Business of Commercial Banks—Interbank Business".

Trust Plans

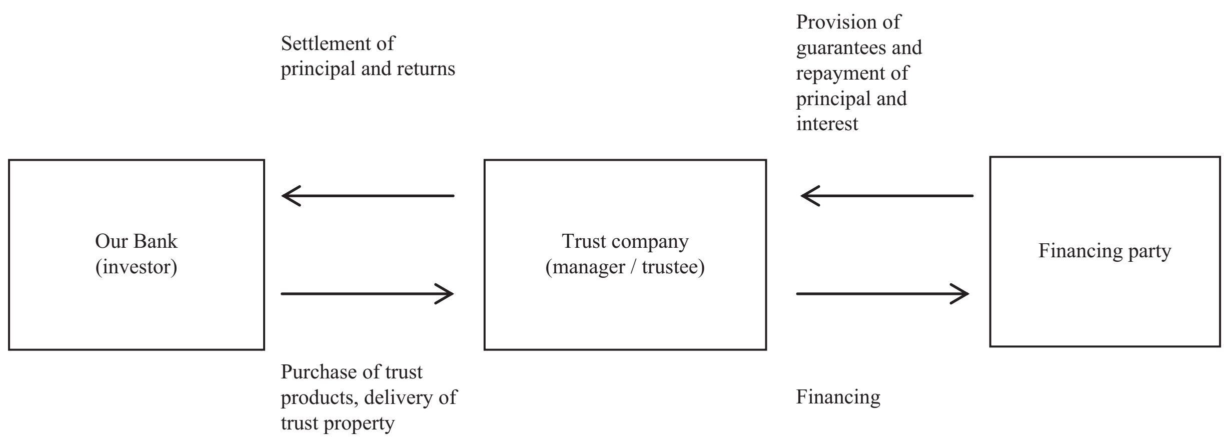
By investing in trust plans managed by trust companies, we entrust trust companies to manage the funds we provide. The trust companies extend credit to the financing parties as principals. As of

December 31, 2012, 2013 and 2014 and September 30, 2015, the balances of funds at our disposal which were invested in trust plans were RMB3,983 million, RMB6,370 million, RMB25,985 million and RMB80,193 million, respectively. For reasons for the changes in the balance of our investments in trust plans, see "Description of our Assets and Liabilities—Assets—Financial Investments—Debt Investments."

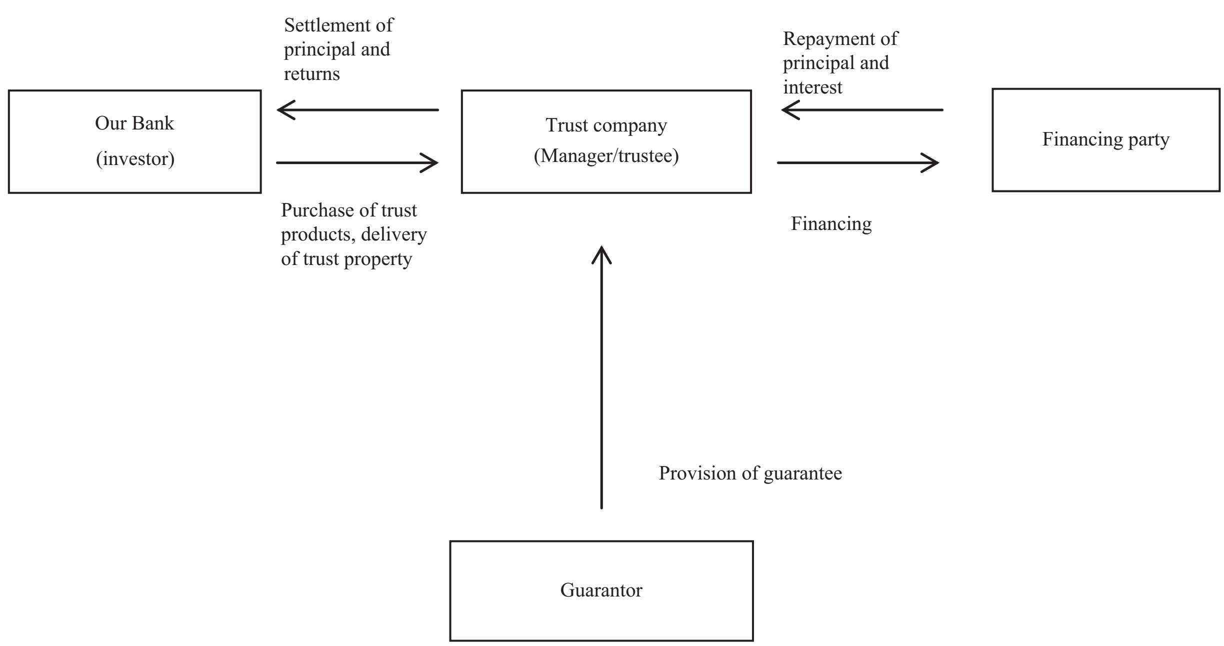
Our investment strategy with respect to trust plans is to achieve a long-term stable return on investments by investing funds which are legally owned and readily disposable by us into financial products issued by trust companies. We believe that our investments in trust plans provide a stable return with acceptable risks and are in compliance with regulatory policies. During our investment decisions making process, we take into account factors such as the trends in the development of the PRC financial market and the qualifications of other financial institutions.

The financing parties' obligations owed to the trust companies are secured by mortgages or pledges granted by the financing parties or guarantors to the trust companies or by irrevocable joint and several guarantees provided by guarantors to the trust companies. The financing parties use the funds provided by the trust companies for their business operations and are required to repay the principal and expected contractual returns within the trust term. The following chart sets out the relationship among the parties involved in our investments in trust plans:

In cases where financing parties provide guarantees to the trust companies:



In cases where third party entities provide guarantees to the trust companies:



Our PRC legal adviser, Zhejiang T&C Law Firm, has advised that, in accordance with the Trust Law of the People's Republic of China (《中華人民共和國信託法》), trust property is required to be segregated from the property owned by a trustee, and may not be commingled with, or become part of, a trustee's own property. As a result, any amounts realized from security rights held by a trust company may not be used to repay its own debts. The security rights of trust assets and the trust plans we invest in should not be affected by a trust company's financial difficulties, insolvency or bankruptcy.

We manage the risks associated with our investments in trust plans primarily through the following four procedures:

- Investment decision making is integrated into our centralized credit management process. The responsible department is required to file credit reports for the financing party or counterparties according to our internal credit management requirements. The proposed investment is then submitted to authorized personnel for approval according to our authorization management requirements.
- Before making the investment, the department handling the investment is required to conduct due diligence and feasibility studies. Our financial market risk management department also reviews the business plan and assess the financing project, the financing party, the credit enhancement party and the credit enhancement method. The proposed investment is then submitted to authorized personnel for approval according to our authorization management requirements.
- Contractual documents relating to the investment are reviewed and approved by our legal departments.
- If a trust company is unable to fully recover the contractual returns on, and the principal of, our investments from the financing parties, we will request that the trust company take actions, such as bringing lawsuits or urging the financing parties or their guarantors to fulfill their obligations, in order to mitigate losses, and will exercise our rights against those parties.

Each of our investments in trust plans is subject to a multi-tiered, case-by-case review and approval process. Our operating department is responsible for due diligence investigations; our legal departments is responsible for reviewing legal documents and analyzing parties' rights and obligations; and our financial market risk management department is responsible for risk assessment and crafting precautionary risk proposals. For transactions which reach certain amounts, the financing projects are submitted to our investment and transaction review committee at our head office for discussion before final approval is given. Only after going through each procedure may our investments be approved by the authorized personnel. See "Risk Management—Risk Management Structure—Senior Management and Special Committees of our Senior Management".

As of September 30, 2015, the top five counterparties of our investments in trust plans are entities controlled by well-known and sizeable state-owned or private enterprises in the PRC. All of such counterparties possess the required qualifications to manage trust plans and are subject to the supervision by the CBRC and other relevant authorities. As of September 30, 2015, our investments in trust plans managed by the top five counterparties amounted to RMB39,604 million, accounting for 49.4% of our total investments in trust plans. Most of our top five counterparties have track records of more than 20 years with good reputation and experience in managing trust plans. The largest counterparty of our investments in trust plans is listed on the Shenzhen Stock Exchange.

During the Track Record Period, all our investments in trust plans are with fixed or determinable income where the principal and returns are paid to us as scheduled without any default. We have not sustained any losses arising from our investments in trust plans.

Asset Management Plans

We invest in asset management plans managed by securities organizations (such as securities firms and fund management companies) and insurance organizations (such as insurance asset management companies). We began such investments in 2013. We primarily invest in negotiated deposits with other banks and inter-bank deposits. As of December 31, 2013, 2014 and September 30, 2015, the balances of our investments in asset management plans which were made using funds at our disposal were RMB7,376 million, RMB50,535 million and RMB108,916 million, respectively.

During the Track Record Period, the asset management plans invested by us are mainly related to directional asset management plans, designated asset management plans and insurance asset management plans, with the investment amounts generally ranging from RMB100 million to RMB1 billion and a term generally less than 12 months. The returns from our investments in asset management plans generally ranged from 3% to 6% during the same period.

We enter into asset management contracts with counterparties such as securities firms, fund management companies and insurance asset management companies, such counterparties are required to possess certain qualifications and to be well-known in their relevant fields. These counterparties then invest our funds through our accounts in third-party custodian banks in accordance with the asset management contracts. These counterparties are responsible for any losses resulting from their management of our Bank's entrusted funds if such management was not in compliance with the terms and conditions of the asset management contracts. The custodian banks are responsible for any losses incurred by the counterparties to our asset management contracts or us if such losses are the result of the custodian banks' failure to perform custody services in accordance with the asset management contracts. The counterparties to our asset management contracts do not provide any guarantees in relation to the asset management plans in which they invest our funds. Should the banks issuing the negotiated deposits or inter-bank deposits which we invest in default, we would request the counterparties to our asset management contracts to take actions against the banks to mitigate our losses.

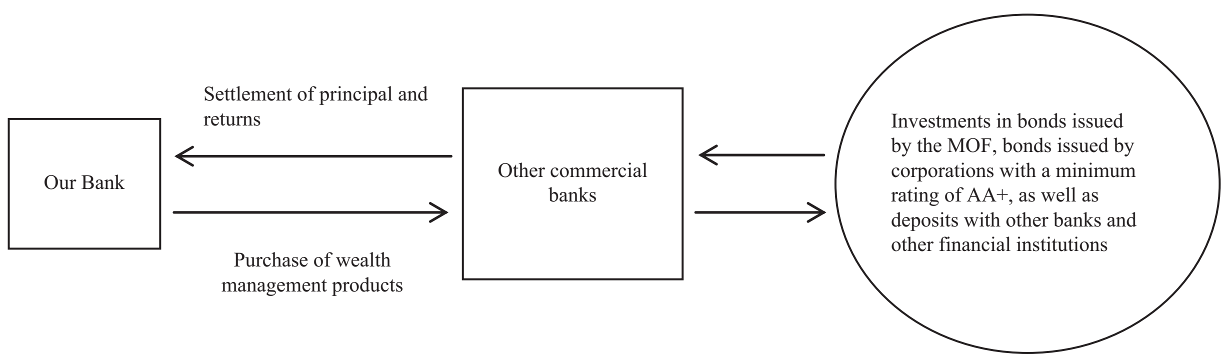
During the Track Record Period, the asset management plans we invested in all complied with our risk assessment policies regarding inter-bank credit extension and were in the management list of inter-bank credit extension. The custodian banks which we cooperate with, which includes the Large Commercial Banks, nationwide joint-stock commercial banks and quality city commercial banks, were all on our financial market business trading admittance list, and cooperating with them is in compliance with our risk assessment criteria regarding inter-bank trading parties. During the Track Record Period, all our investment in asset management plans are with fixed or determinable income where the principal and returns are paid to us as scheduled.

As of September 30, 2015, we had entered into asset management contracts with 23 securities companies, 13 fund management companies and eight insurance asset management companies. As of September 30, 2015, the top five counterparties of our investments in asset management plans are all professional asset management companies or securities company in the PRC with sound experience and track record. All of such counterparties possess the required qualifications to manage asset management plans and are subject to the supervision by the CSRC, the CIRC and other relevant authorities. As of September 30, 2015, our investments in asset management plans managed by the top five counterparties amounted to RMB46,027 million, accounting for 42.3% of our total investments in asset management plans. Among the top five counterparties, three are controlled by large insurance companies, one is a state-owned enterprise and the remaining one is a listed securities company which ranked among the top 10 securities companies in the PRC in terms of various financial indicators in 2014. For reasons for the changes in the balances of our investments in asset management plans, see "Description of Our Assets and Liabilities—Assets—Financial Investments—Debt Investments."

We have a centralized review, approval and management model which is directly carried out by our head office and manages credit risks associated with our asset management plans. The proposed asset management plans are reviewed by our financial market risk management department. For transactions which conform to certain standard, the asset management plans are also submitted to our investment and transaction review committee at our head office for further discussion before final approval is granted.

Wealth Management Products Issued by Other Commercial Banks

We invest in wealth management products issued by other commercial banks. Such commercial banks in turn invest such amounts in bonds issued by the MOF, bonds issued by corporations with a minimum rating of AA+ as well as deposit with other banks and other financial institutions. The yields of the wealth management products we invest in depend on their investments portfolio. In accordance with the agreements between us and the commercial banks that issue the wealth management products we invest in, such commercial banks are required to pay us investment yields quarterly or annually, with payment of the principal and outstanding investment yields being made upon maturity. The following chart illustrates the relationship among the parties involved in our investments in wealth management products issued by other commercial banks.



As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balances of our investments in wealth management products issued by other commercial banks were RMB6,452 million, RMB5,414 million, RMB80,329 million and RMB198,061 million, respectively. During the Track Record Period, we increased our investments in wealth management products issued by other commercial banks mainly because such wealth management products issued by domestic banks are able to cover the principal and returns, and we believe such products are suitable inter-bank investments as they are generally supported by the other commercial banks' credibility and have relatively manageable risks and stable returns. During the Track Record Period, all our investments in wealth management products issued by other commercial banks were principal-protected.

As of September 30, 2015, the top five counterparties in the wealth management products invested by us are all reputable commercial banks in the PRC, three of which are nationwide joint-stock commercial banks. The other two are listed in the PRC or on the Hong Kong Stock Exchange. All of such counterparties have rich experience in providing wealth management products, possess the required qualifications to issue wealth management products and are subject to the supervision by the PBOC, the CBRC and other relevant authorities. As of September 30, 2015, our investments in wealth management products issued by the top five counterparties amounted to RMB131,110 million, accounting for 66.2% of our total investments in wealth management products.

In order to manage the credit risks associated with such investments in wealth management products issued by other commercial banks, we have adopted the following measures: (i) our head office approves and manages our investments in wealth management products issued by other commercial banks, and no branches or sub-branches may make such investments without prior authorization from our head office; (ii) we manage the credit risks of the commercial banks issuing the wealth management products according to our centralized credit management process and assess the operating conditions, financial conditions, off-balance sheet commitments, compliance with regulatory indicators, risk events, proposed cooperation and other features of these commercial banks. We reasonably arrange our investments according to the results of such assessments, our asset and liability structure and our credit approval requirements; (iii) in terms of investment scope, we generally invest in products internally rated by the issuers as "very low risk" or "robust", such as bonds issued by the MOF, bonds issued by corporations with a minimum rating of AA+ as well as deposits with other banks and other financial institutions. See "Risk Management—Credit Risk Management—Credit Risk Management for Treasury Business—Credit Risk Management for Inter-bank Business".

Our team members responsible for our investments in bonds and other financial assets are familiar with the macroeconomic policies of the PRC government. They also have experience with investment operations, risk management and market analysis and can implement our overall investment strategy effectively to achieve favorable returns on investments.

Treasury Business Conducted on Behalf of Customers

We also provide wealth management services and offer foreign exchange agency transactions to corporate and retail banking customers, see "Corporate Banking Business—International Trade Financing and Settlement Services—Other Services".

Management of Proceeds Received from the Issuance of Wealth Management Products

The proceeds we raise from the sale of our wealth management products are primarily invested in fixed-income investments, such as money market instruments, bonds, non-standard debt assets and other equity products. Non-standard debt assets are credit assets which are not traded on any inter-bank markets or stock exchanges. We classify the wealth management products we issue into six grades based on their risk levels according to the Management Measures for the Administration of the Sales of Wealth Management Products by Commercial Banks (the CBRC Order [2011] No. 5) (《商業銀行理財產品銷售管理辦法》銀監會令[2011]第5號) promulgated by the CBRC in 2011. All wealth management products issued by us in 2012, 2013 and 2014 were "extremely low risk" (the principal is guaranteed and the possibility of default on payment of expected returns is extremely low), "low risk" (the possibility of default on payment of principal is extremely low and the possibility of default on payment of expected returns is low) or "relatively low risk" (the possibility of default on payment of principal is low and the possibility of default on payment of returns is relatively low). For the nine months ended September 30, 2015, proceeds raised from the sale of our "extremely low risk", "low risk" and "relatively low risk" wealth management products were RMB7,959 million, RMB82,887 million and RMB148,908 million, respectively, accounting for 3.3%, 34.6% and 62.1% of the total proceeds raised, respectively.

As of September 30, 2015, our investments in non-standard debt assets accounted for 14.18% of our total investments using proceeds raised from the sale of wealth management products, and such investments accounted for 3.57% of our total assets as of December 31, 2014, which are both in compliance with CBRC requirements. As of December 31 of 2012, 2013 and 2014 and September 30, 2015, the total outstanding amounts of wealth management products we issued were RMB51,659 million, RMB46,068 million, RMB43,168 million and RMB168,403 million, respectively. As of September 30, 2015, investment in money market instruments, bonds, non-standard debt assets and other equity products accounted for 9.1%, 27.1%, 14.2%, 49.6% of our balance of unredeemed wealth management products issued by our Bank. As of September 30, 2015, 99.4% of our unredeemed wealth management products were non-principal-protected.

For the years ended December 31, 2012, 2013, and 2014 and the nine months ended September 30, 2015, the average size of each tranche of wealth management products we issued was RMB213 million, RMB143 million, RMB179 million and RMB287 million, respectively. During the Track Record Period and as of the Latest Practicable Date, all wealth management products we had issued were in normal operation and the payment of principal and interest had been duly made without any default.

In accordance with the requirements of the CBRC, we manage each wealth management product independently through separate accounts and book keeping, with each wealth management product matching its underlying investments.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the terms of the wealth management products we issued ranged from one month to one year, with the majority of products ranging from one month to six months.

We generally price our wealth management products by taking into consideration the comparability and competitiveness of our competitors and the conditions of the market. When setting the yield for our wealth management products, we select certain banks for reference, including the Large Commercial Banks, 11 other nationwide joint-stock commercial banks and the city commercial banks whose sizes are similar to ours, and refer to the investors in their products, the types of products they offer, as well as the orientation, terms and minimum subscription amounts of their products. We try to price our products competitively so as to promote our brand and increase our market influence. Our wealth management products were recognized as "the Best and Steady Income Wealth Management Products in China in 2015" by *Securities Times*; our wealth management products brand was recognized as "the Best Brand of Innovative Asset Management in 2015" by *21st Century Business Herald*, "the Best Wealth Management Product Brand issued by a Bank in China in 2015" by *Securities Times*, "Award for Innovations in Wealth Management" by China Banking Industry Development Forum; and our wealth management business was awarded "Jinniu Excellent Asset Management" by *China Securities Journal*. The brand awareness for, and market influence of, our wealth management business have significantly increased.

PRICING

We have established and strive to continually optimize our competitive product pricing mechanism which is based on risk-adjusted returns and is subject to applicable PRC regulatory requirements. In setting our prices, we consider various factors, such as the cost of capital, management costs, costs of risks and expected rates of return. In addition, we also consider the contribution of each customer to our business, the prevailing market conditions and the prices for similar products and services offered by our competitors. Our pricing policies and benchmark prices are determined by our asset and liability management department at our head office. Our business units determine, monitor and manage the pricing standards for their products and services within their respective scope of authority.

Loans

The PBOC regulates pricing for certain commercial banking products and services, such as our RMB-denominated loans. There has been no upper limit on interest rates for RMB-denominated loans since October 2004, and the lower limit, which had been at 70% of the relevant PBOC benchmark rate, was removed in July 2013. With respect to personal mortgage loans, for families purchasing their first residential home, the interest rate may not be lower than 70% of the relevant PBOC benchmark rate. The same standard applies for families purchasing a second unit to improve their living condition who have repaid their first mortgage in its entirety. However, in regions where there are no real estate purchasing restrictions imposed, and in cases where families already have two or more residential property units, have repaid relevant mortgages and are applying for mortgages to buy another, banks are required to be prudent when determining the minimum down payment and interest rate, and are to take into account factors such as the borrowers' ability to repay, their credibility and their creditworthiness. See "Supervision and Regulation—Regulation on Major Business of Commercial Banks—Loans." Interest rates for foreign currency-denominated loans are generally not subject to PRC regulatory restrictions, and we are permitted to determine the interest rates for such loans at our discretion and based on market conditions.

We price our products based on various criteria, such as a particular borrower's credit rating and risk profile, the value of any collateral provided, the intended use of the loan, market conditions and the term of the loan. We also consider, among other things, the cost of the loan, our expected rates of return, the associated risks, overall market conditions, our market position and the pricing of our competitors. Based on these considerations, we seek to maintain a pricing mechanism that can match risks with returns and that can generally charge higher interest rates for customers with a higher risk profiles. As interest rates for loans are becoming increasingly liberalized, we expect to rely more on our ability to accurately analyze our expected risk-adjusted return on capital and further differentiate our pricing for loans based on our internal analyses.

We also differentiate the pricing of our corporate loans based on the business scale and contributions of our customers, the security and guarantees provided by our customers and the industries in which our customers operate. We generally have greater pricing power over medium, small and micro enterprise customers as compared to larger scale enterprise corporate customers.

We price personal loans based on a market-oriented pricing principle, and generally apply higher risk-adjusted pricing to personal business loans and unsecured personal loans. We charge interest on overdraft balances at a fixed rate which is not tied to the PBOC benchmark interest rate.

Deposits

The upper limit of floating interest rate for deposits with commercial banks and rural cooperative commercial institutions was removed on October 24, 2015. As a result, we may set competitive benchmark rates according to our business scale and market share. For certain clients, we will set specific execution rates depending on the clients' attributes and contributions to our business. Beginning in 2004, the PBOC liberalized deposit and lending interest rates among financial institutions, and we now determine such rates based primarily on official interest rates set by the PBOC, as well as by considering market interest rates and our asset and liability management policies.

We are permitted to negotiate interest rates on foreign currency deposits (other than deposits made by domestic residents) which are denominated in US dollars, Euros, Japanese Yen or HK dollars with a term of one year or less and in an amount of less than US$3 million. Such deposits may not exceed the interest rates on small sum foreign currency deposits stipulated by the PBOC. Interest rates on inter-bank foreign currency deposits and foreign currency deposits of non-PRC residents are generally not subject to PRC regulatory restrictions, and we are permitted to negotiate the interest rates on such deposits. The benchmark rates for different types of deposits are determined by our head office. See "Supervision and Regulation—Pricing for Products and Services—Interest Rates for Loans and Deposits."

Intermediary Business

We generally determine fees and commissions for other products and services based on market conditions, with the exception of certain services which are subject to the PRC government's guideline prices, such as the price for basic RMB settlement services, which is specified by the CBRC and the NDRC. See "Supervision and Regulation—Pricing for Products and Services—Pricing of Products and Services Based on Fees and Commission."

MARKETING

We have established an integrated marketing system. Our head office crafts the integrated development plan and strategy, marketing strategies and industry policies for our corporate banking business and retail banking business. Based on the strategies crafted by our head office, each branch develops its own marketing plans and deploys marketing resources to execute the marketing strategies based on a detailed analysis of local market conditions and policies.

We encourage cooperation and cross-selling of products and services among our different departments and business lines. Our head office proactively coordinates with our branches to compile information from customers in each of our business lines, enhance the development and maintenance of our customer resources, promote cross-selling and carry out joint marketing activities so as to facilitate the development of both our corporate banking business and our retail banking business. As of September 30, 2015, our front office staff comprised 3,140 employees. Of such employees, 1,573 were corporate banking staff, 941 were small and micro enterprises business staff, 265 were retail banking staff, 109 were investment banking staff and 252 were inter-bank business staff.

For our corporate banking business, we focus on establishing long-term cooperative relationships with our strategic customers. We use innovative approaches to increase customer loyalty. For example, we have made significant efforts to promote our bills pool products so as to attract cash flows from customers and increase customer reliance on our services. We are also expanding our customer base by developing business relationships with our core customers' upstream suppliers and downstream distributors.

With respect to our retail banking business, we follow customer-oriented principles, utilize differentiated retail customer services and systematic management and study our customer's unique needs to improve our ability of providing comprehensive financial services. We are also strengthening our product innovation. In addition to expanding our customer base, we seek to maximize retail customer revenues by providing innovative and competitive products, such as our "Zengjinbao" ("增金寶") wealth management product. In addition to cultivating high net-worth customers, we also consider several client groups, including young clients, to be our core clients, and actively explore end-to-end services, which span from product research to marketing and promotion. In addition, we seek to optimize the management structure and distribution network of our retail banking business by cross-selling, improving our online and offline customer experience and improving the management structure and outlet network of our individual businesses.

For small and micro enterprises, we follow the principles of "specialized operation, close outlets to our customers, highly efficient approval procedures and multi-mode service" to continually strengthen our business and production innovation. We plan to reinforce our competitiveness and brand reputation with respect to our small and micro enterprises business through adapting to, and connecting with, the development of new industries as well as trends related to internet financing.

We promote banking products and services through our comprehensive branch network and E-banking channels. See "—Distribution Network." In light of the development of internet finance business, we are strengthening our marketing efforts on online channels and increasing our advertising on social networks, such as WeChat, which enhances our ability to acquire customers with reduced customer acquisition costs. We plan to upgrade the products provided by, and the functions of, our online direct selling banking in order to increase our business flow and increase the number of our customers. With respect to our intermediary business, we seek to increase promotion by utilizing numerous channels, such as word-of-mouth marketing, advertising, public relations and new media marketing. We believe that such efforts will increase our marketing in a holistic, multilayered and modernized manner so as to enhance our brand and attract customers.

DISTRIBUTION NETWORK

We serve our customers through our multiple channels. As of September 30, 2015, we had 128 branches and sub-branches in the PRC. We also provide services and products through multiple e-banking channels.

Outlet Network

Our headquarters are in Hangzhou. As of September 30, 2015, we had 128 branches and sub-branches in the PRC excluding our head office, covering economically-developed areas such as the Yangtze River Delta, the Bohai Rim area and the Pearl River Delta, as well as certain developed cities in Central and Western China. The following table sets out certain information about our outlets by areas as of the dates indicated.

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
District	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage	Quantity	Percentage
Yangtze River Delta Area[(1)]	64	68.8%	75	65.8%	78	64.5%	80	62.5%
including Zhejiang	48	51.6%	55	48.3%	58	47.9%	58	45.3%
Bohai Rim Area	14	15.1%	18	15.8%	20	16.5%	21	16.4%
Pearl River Delta Area	3	3.2%	5	4.4%	5	4.1%	6	4.7%
Central and Western Area	12	12.9%	16	14.0%	18	14.9%	21	16.4%
Total	**93**	**100.0%**	**114**	**100.0%**	**121**	**100.0%**	128	100.0%

Note:
(1) Excludes our head office.

We plan to continue establishing new branches and sub-branches and to further optimize our distribution network, business structure and customer base so as to achieve a balanced business development. Our Wuhan branch commenced operations on December 21, 2015, and the CBRC has approved the establishment of our Hong Kong branch and the preparation work is currently being processed.

E-banking

We have established an electronic banking service system comprising online banking, telephone banking, mobile phone banking, WeChat banking and self-service banking. This system provides both corporate customers and retail customers with services, including account management services, cash deposit and withdrawal services, money transfer services and investment and wealth management services, in order to improve their customer experience and increase their satisfaction. For the nine months ended September 30, 2015, 18,503,200 business transactions were processed through our electronic banking service system, and the substitution rate for our e-banking channel reached 95.3%. During the same period, the total transaction volume for our e-banking channel reached RMB2,062,382 million, which accounted for 68.6% of our total transaction volume.

Online Banking

Our online banking platform, www.czbank.com, provides financial products and services to both corporate customers and retail customers. Our online banking products and services mainly include information management services, account management services, transfer and remittance services, cash concentration services, investment and wealth management services, online payment services, electronic bank draft services, loan services, credit card services, debit card services, appointment services and a loyalty program. As of September 30, 2015, we had approximately 447,700 online banking customers, including 47,100 corporate customers and 400,600 retail customers. For the years ended December 31, 2012, 2013 and 2014 and for the nine months ended September 30, 2015, 6,805,900, 8,187,900, 16,006,400 and 13,322,600 business transactions were processed through our online banking platform, with a total transaction volume of RMB1,387,269 million, RMB1,878,530 million, RMB2,083,903 million and RMB2,032,876 million, respectively.

Telephone Banking

We offer automated voice- and teller-operated telephone banking services through our customer service hotlines (95527) 24-hours a day, 7-days a week. Our telephone banking services include account enquiries, transfers, loss reporting services, investment and wealth management services, business management and consulting services and complaint reporting services.

Mobile Phone Banking

We began offering mobile phone banking services in 2011. Through mobile phone banking, we provide such services as account enquiries, transfers, remittance services, credit card management services, investment and wealth management services, services related to our loyalty program, appointment making services and outlet location services. In addition, our mobile phone banking services also provide our customers with certain value-added services, such as telephone fee re-charging services, airplane ticket booking services, cinema ticket booking services and value top-up services for online game cards. In addition, we provide our customers with an SMS notification service, whereby we send them text messages relating to bank account transactions, safety verification and payments of fees. This gives our customers access to secure and personalized banking services. For the nine months ended September 30, 2015, approximately 2,302,300 business transactions with a total transaction volume of RMB9,403 million were processed through our mobile phone banking service system.

WeChat Banking

We began offering a WeChat banking service in August 2014. This service consists of three major sections (debit card, credit card and a general service platform), and provides account inquiry, wealth management trading and information provision services, including but not limited to, account inquiry services, services relating to our "Zengjinbao" ("增金寶") product, small and micro financial services and customer assistance services. We also expect to expand our WeChat banking service to include other type of services, such as WeChat wealth management services, credit card bill reminder services, the ability to make service appointments and branch and outlet location services, in order to further improve our customer experience.

Self-service Banking

Our self-service banking facilities offer a variety of self-service banking services. We provide self-service machines, such as ATMs, CRSs and self-service transfer machines, which have multiple functions, including allowing customers to make deposits, withdraw cash, transfer funds, check account balances and change passwords. These machines provide our customers with banking services 24-hours a day, 7-days a week. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, 2,145,100, 3,373,600, 3,117,400 and 2,588,700 business transactions were processed through our self-service banking facilities, with a total transaction volume of RMB6,337 million, RMB14,670 million, RMB17,864 million and RMB18,155 million, respectively.

INFORMATION TECHNOLOGY

Our IT systems are critical to the effective operation and performance of our business and our future success. Many aspects of our business and management rely heavily on our IT systems, including our general operations, customer service, product management, risk management and financing management. We believe making such investments has substantially enhanced, and will continue to enhance, our efficiency, the quality of our customer service and our risk and financial management capabilities. We have invested in our IT systems in the past, and will continue to invest in and upgrade our IT systems in the future based on our business needs. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our capital expenditures with respect to our IT systems and related equipment were RMB85.70 million, RMB77.77 million, RMB135.70 million and RMB54.21 million, respectively.

Management and Professional Teams

Our head office has established an information technology management committee and a business continuity management committee. Our information technology management committee provides overall supervision and guidance with respect to information technology matters, while our business continuity management committee provides overall supervision and guidance with respect to our IT system continuity strategy. These committees coordinate with certain relevant business departments, information and technology departments, our head office and our branches. We have established multiple centers under our information and technology department which are responsible for various IT-related matters, including design and development of application system, information safety inspections and measurement, system testing management of application program, IT planning and coordination and coordinated processing of integrated affairs and design and development of data system. We have an experienced IT team. As of September 30, 2015, our IT team comprised 291 staff members, including 178 from our head office and 113 from our branches.

Information System

We have established an IT platform that is capable of centralized data processing and allows us to manage and support our business and transactions as well as to manage the information system in a consistent manner. Our information technology systems include our basic platform system, business processing system, management system, channel service system, self-service system and inter-bank service system:

- **Basic platform system**—includes security services and data processing basic platforms.
- **Business processing system**—includes our core accounting system, teller system, international settlement system, bills management system, capital transaction system, credit card system, financing sales system and bank-enterprise direct linkage system.
- **Management system**—includes our credit management system, quota management system, assets custody system, reporting system and electronic report system.
- **Self-service system**—includes our ATMs, self-service card senders, self-service transfer machines and our queuing and calling system.
- **Distribution channel system**—includes our online banking system, telephone banking system, mobile phone banking system, WeChat banking system and short messages banking system.
- **Inter-bank service system**—includes our "Yishixing" (易時行) and "Guimiantong" (櫃面通) systems, second-generation payment system, local clearing system and Union-Pay multi-channel system.

In addition, we also have in place a human resource management system and office management system.

We have adopted various safety measures in order to provide a high level of network security. To strengthen the reliability of our operations, we have established a local backup disaster recovery center away from our head office. We have also established an allopathic disaster recovery center to prevent any significant interruption to our business due to the occurrence of large-scale regional disasters. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant IT system breakdowns or suffered any related losses.

We will continue to upgrade our core business systems and improve the construction of our internet-based financing system, management system and decision-making system. We will further increase our IT risk prevention and control measures and improve our emergency management system in order to provide technical support for our business development and corporate operations.

COMPETITION

The PRC banking industry is becoming increasingly competitive in the current macroeconomic environment. In particular, the introduction of and changes to certain relevant policies in the PRC in recent years have intensified competition in certain areas of the domestic banking industry. See "Industry Overview—Competitive Landscape." We face competition mainly from other commercial banks in the regions in which we operate. Our main competitors include the Large Commercial Banks and other nationwide joint-stock commercial banks. In addition, we also face competition from city commercial banks. We compete with our banking competitors primarily on product offerings and prices, service quality, convenience of obtaining bank financing, brand recognition and information technology capabilities.

We also compete with non-banking institutions with respect to the provision of financial services. For example, we compete with small-loan companies in offering financing to small and micro enterprises and with insurance companies, securities companies and fund management companies in attracting customers' funds. Non-financial institutions, such as internet-based finance companies, also place competitive pressure on our business.

Competition between us and foreign financial institutions may intensify in the future. In particular, the lifting of various restrictions on foreign financial institutions conducting business in the regions where we conduct our business may cause us to lose our existing competitive advantage over foreign financial institutions in the PRC. We anticipate that there will be more competition with foreign financial institutions in the future, and such intensifying competition may have an adverse effect on our business and results of operations. See "Risk Factors—Risks Relating to the PRC Banking Industry—We face intense competition from other banks and financial institutions in the PRC banking industry, as well as competition from alternative investment and financing channels."

To adapt to this increasingly competitive environment, we intend to expand our distribution network, reinforce our traditional banking businesses, promote innovation with respect to financial products and services and explore diversified business development opportunities.

EMPLOYEES

As of September 30, 2015, we had 7,564 employees, including 1,028 employees at our head office and 6,536 employees at our branches and sub-branches. The table below sets out a breakdown of our employees by function as of September 30, 2015.

	As of September 30, 2015	
	Number of Employees	**Percentage of the total number of employees**
Management	189	2.5%
Corporate Banking	2,012	26.6%
Retail Banking	429	5.7%
Small and Micro Enterprises Business	1,024	13.5%
Teller	1,029	13.6%
Treasury Business	305	4.0%
Finance and Accounting	631	8.3%
Risk Management, Internal Control, Legal and Compliance	803	10.6%
IT	291	3.9%
Others	851	11.3%
Total(1)	7,564	100.0%

Note:
(1) Includes contracted employees on duty and excludes employees who have retired, as well as those who have been dispatched outside of our Bank.

The following table sets out a breakdown of our employees by age group as of September 30, 2015.

	As of September 30, 2015	
	Number of Employees	Percentage of the total number of employees
30 or under	3,127	41.3%
31 to 40	2,956	39.1%
41 to 50	1,303	17.2%
51 to 60	178	2.4%
Total(1)	7,564	100.0%

Note:
(1) Includes contracted employees on duty and excludes employees who have retired, as well as those who have been dispatched outside of our Bank.

The following table sets out the total number of our employees by educational level as of September 30, 2015.

	As of September 30, 2015	
	Number of Employees	Percentage of the total number of employees
Master Degree or above	1,201	15.9%
Bachelor Degree	5,146	68.0%
Associate Degree or other	1,217	16.1%
Total(1)	7,564	100.0%

Note:
(1) Includes contracted employees on duty and excludes those who have retired, as well as those have been dispatched outside of our Bank.

We believe that our sustainable growth depends upon the capabilities and dedication of our employees, and we recognize the importance of human resources to improving our business, financial condition and operating results. We devote substantial resources to recruiting and training our employees. We have also established a performance-based compensation system, pursuant to which an employee's compensation is determined based on his/her performance review. We contribute to our employees' social insurance and provide housing funds and certain other employee benefits in accordance with applicable PRC laws, rules and regulations.

Our labor union represents the interests of our employees and works closely with our management on labor-related issues. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any strikes or other material labor disputes which interfered with our operations. We believe that our management will be able to continually maintain a good relationship with our labor union.

In addition to employees who have entered into employment contracts with us, as of September 30, 2015, we had also engaged 424 dispatched workers through third-party human resource agencies. These dispatched workers are not our employees and generally hold assistant positions, such as tellers, telephone banking assistants and drivers. The dispatched workers enter into labor contracts with the relevant human resource agencies. As a result, under the PRC Labor Contract Law (《中華人民共和國勞動合同法》), there is no labor contract relationship between the dispatched workers and us. Pursuant to our agreements with the human resource agencies, we make advanced salary payments, social security contributions and other related payments associated with the dispatched workers to the human resource agencies. The human resource agencies, in turn, make salary payments to the dispatched workers and social security contributions and other related payments to the relevant governmental entities.

PROPERTIES

Our Head Office is located at No. 288, Qingchun Road, Hangzhou, Zhejiang, the PRC. As of the Latest Practicable Date, we owned 106 properties and leased 192 properties in the PRC.

Owned Properties

As of the Latest Practicable Date, we owned and occupied 106 properties in the PRC with a combined GFA of 66,397.6 square meters. These 106 properties are primarily used for our operations and as offices.

As of the Latest Practicable Date, we had obtained the relevant building ownership certificates and land use rights certificates for 83 of our 106 self-owned properties with a combined GFA of 60,040.8 square meters. Among these 83 properties, we obtained the relevant land use rights certificates for 80 of them with a combined GFA of 51,669.2 square meters by way of transfer. According to our PRC legal adviser, Zhejiang T&C Law Firm, we legally hold the building ownership and land use rights certificates for these 80 properties, and can occupy, use, transfer, lease, mortgage or dispose of such properties in accordance with applicable laws and regulations.

For the other three self-owned properties with a combined GFA of 8,371.6 square meters, the relevant land use rights certificates are still registered under the name of Zhejiang Commercial Bank Ltd., which is the name of the predecessor of our Bank. For two these properties with a combined GFA of 8,185.7 square meters, the usage type stated on the land use rights certificates is "state owned". The usage types were not stated on the land use rights certificate for the remaining one property with a GFA of 185.9 square meters. According to our PRC legal adviser, Zhejiang T&C Law Firm, our right to transfer, mortgage or otherwise dispose of the three self-owned properties may be restrained and we may have to pay the relevant transfer fees and/or go through the relevant procedures in order to confirm the nature of such properties. According to the Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》), because we have obtained the building ownership certificates for such properties, there are no material impediments for us to occupy and use them.

We have not obtained the land use rights certificates and/or the building ownership certificates for the remaining 23 self-owned properties with a combined GFA of 6,356.8 square meters, representing approximately 9.6% of the total GFA of our self-owned properties, mainly because of the lengthy registration process and/or the unwillingness of the property developers to cooperate with us.

(i) As of the Latest Practicable Date, we had obtained the building ownership certificates, but had not yet obtained the land use rights certificates, for 21 of the aforementioned 23 self-owned properties with a combined GFA of 4,675.8 square meters, representing approximately 7.0% of the total GFA of our self-owned properties. According to our PRC legal adviser, Zhejiang T&C Law Firm, there are no material impediments for us to occupy and use such properties, as we have obtained the relevant building ownership certificates for them. However, our right to transfer, mortgage or otherwise dispose of such properties may be restricted before we obtain the land use rights certificates.

(ii) As of the Latest Practicable Date, we had not yet obtained the building ownership certificates and the land use rights certificates for two self-owned properties with a combined GFA of 1,681.0 square meters, representing approximately 2.5% of the total GFA of our self-owned properties. We currently cannot register these properties because their land use type is stated as "allocation", and the developers for such properties have not yet paid the relevant fee to change the land use type. We have requested, and the developers for such properties have undertaken, that they would assist us in obtaining the relevant certificates. As advised by Zhejiang T&C Law Firm, our PRC legal adviser, we may not legally transfer, mortgage or otherwise dispose of these properties before we obtain the relevant building ownership certificates and the land use rights certificates.

During the Track Record Period and as of the Latest Practicable Date, the title defects for the properties mentioned above had no material adverse effect on our business operations, nor had we received any notice from any government authorities or any third parties requesting us to cease using such properties. We are committed to using our best efforts to apply for the relevant building ownership certificates and land use rights certificates. Our Directors believe that the title defects for the properties mentioned above will not, individually or in the aggregate, have a material adverse effect on our business operations. We believe that we can rent similar properties to replace these properties if necessary, and that such relocation will not have a material or adverse effect on our operations because the relocation costs would be low. As of September 30, 2015, our properties, including land and buildings, accounted for 0.2% of our total assets. Our Directors confirm that, in terms of revenue contribution or rental expenses, no single property is material to us.

As of September 30, 2015, the maximum book value of our property interests was approximately RMB298 million, representing 0.03% of our total assets. Pursuant to Rule 5.01A of the Listing Rules, if the book values of the property business and non-property business of a listing applicant are below 1% and 15%, respectively, the prospectus will be exempted from compliance with the requirement to include a property valuation report. With respect to the requirements under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, similar waivers are also available under section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). As a result, we are exempted from compliance with the requirement to include a property valuation report under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Leased Properties

As of the Latest Practicable Date, we leased 192 properties in the PRC with a combined GFA of approximately 309,012.9 square meters. These leased properties are primarily used for our operations and as offices.

As of the Latest Practicable Date, we had not obtained valid building ownership certificates or other authenticated leasing-approval documents from the lessors of 37 of the 192 properties we leased with a combined GFA of approximately 60,847.9 square meters, representing 19.7% of the total GFA of our leased properties. These properties are mainly used for business operations and daily office work. We have proactively procured these lessors to apply for the relevant title certificates or provide us with supporting documents showing their legal right to lease these properties including relevant authorization papers. As of the Latest Practicable Date, we had obtained written confirmations from the lessors of 25 of the 37 properties with a combined GFA of 33,749.7 square meters confirming their right to sign the leasing contracts and requiring them to provide compensation to us for any losses incurred due to defects in the leasing property rights of such leased properties.

According to our PRC legal adviser, Zhejiang T&C Law Firm, the Property Law of the PRC (《中華人民共和國物權法》), the Measures on Administration of Commodity Housing Leases (《商品房屋租賃管理辦法》), applicable administrative laws and regulations, applicable provisions of relevant department rules and the relevant judicial interpretations, lessors have no right to lease properties if they do not have ownership of the properties or if they fail to obtain authorization or approval from the property owners. Any objection to the effectiveness of such lease raised by a third party may impact its validity. However, in our circumstances, we could seek compensation from the lessor under the leasing contract and/or the written confirmation issued by such lessor. Moreover, we could be deemed the legal lessee of such property in accordance with the related judicial interpretations if the lessor signs several leasing contracts in relation the same property.

As of the Latest Practicable Date, the leases for three properties with a total lease area of approximately 11,957.1 square meters had expired. We are working on the renewal of such leases.

In addition, as of the Latest Practicable Date, only six of our leased properties with a combined GFA of 13,372.7 square meters had completed lease registration under the relevant PRC laws and regulations.

As advised by our PRC legal adviser, Zhejiang T&C Law Firm, the validity of a leasing contract is not affected if the lease registration is not completed. However, we may be punished by the relevant law enforcement authorities for failure to complete the lease registration. According to the Measures on the Administration of Commodity Housing Leases (《商品房屋租賃管理辦法》), the related competent authorities have the right to order us to make corrections within a prescribed period of time if we do not apply for lease registration. If we fail to make corrections within the prescribed period of time, the related competent authorities have the right to impose a penalty between RMB1,000 to RMB10,000 per property. During the Track Record Period and as of the Latest Practicable Date, we had not been punished by the Housing Management Department of China for failure to complete the lease registrations.

Because the total GFA of the leased properties with title defects mentioned above is small and because such properties are distributed in different regions, it is very unlikely that all or a majority of such properties will experience changes in ownership or be disposed of in another way at the same time. Our Directors believe that each of the leased properties with title defects mentioned above will not, individually or in the aggregate, have a material adverse effect on our business operations. If third party claims against us request that we move out of such properties, we believe that we could continue our business operations through renting other similar properties. Such removal will not adversely affect our business operations because removal and relocation costs would be relatively low.

Properties under Construction

As of the Latest Practicable Date, we had obtained land use rights certificates for two parcels of land with a total site area of approximately 11,688.5 square meters. Construction is under way to build office buildings for our head office and our Wenzhou branch on such parcels of land. Such buildings have construction scales of 92,382.0 square meters and 18,518.5 square meters, respectively. As of the Latest Practicable Date, we had obtained the required government approvals with respect to construction of these properties.

Properties to be purchased

As of the Latest Practicable Date, we had entered into agreements to purchase 42 properties with a total GFA of 88,049.0 square meters. As of the same date, the pre-sale permits for 41 of these properties with a combined GFA of 70,024.1 square meters had been obtained. However, we have not obtained the land use rights certificates or the ownership certificates for these properties. According to our PRC legal adviser, Zhejiang T&C Law Firm, the property purchase agreements between us and the sellers of these 41 properties are legally binding. For the remaining one property with a GFA of approximately 18,024.9 square meters, the property developer has not obtained the relevant pre-sale permits. According to our PRC legal adviser, Zhejiang T&C Law Firm, we have the right to request the seller to repay us the advanced payments made if such pre-sale permits cannot be obtained. In addition, we believe that we can find proper replacement sites and that this would not have a material adverse effect on our overall operations and financial condition.

INTELLECTUAL PROPERTY

On June 30, 2004, our Bank was approved by the CBRC to be reorganized and became one of the 12 nationwide joint-stock commercial banks approved by the CBRC. We registered with the Zhejiang Provincial Administration for Industry and Commerce on July 26, 2004 following our reorganization and officially commenced operations on August 18, 2004 under the "China Zheshang Bank" name and logo. We registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the name "China Zheshang Bank Co., Ltd." on September 11, 2015. We are also the registered owner of the internet domain "www.czbank.com". As of September 30, 2015, we had 130 registered trademarks and had filed 12 trademark applications in the PRC. Details of the trademarks which are material to our business see "Appendix VIII—Statutory and General Information".

We have also filed 16 applications for registration of certain trademarks with the Trade Marks Registry in Hong Kong, consisting of the English "China Zheshang Bank", the Chinese "浙商銀行", our logo and their various combinations. Such applications include goods and services in goods under Class 16, covering "printed materials and publications; printed forms, data and instruction manuals, non-coding credit cards and cash cards, books and journals, paper display boards, photos, advertising materials, computer program in printed format; stationeries; papers; paper products; letterheads, envelopes, official receipts, writing materials, bulletin board (paper based), name cards"; services under Class 35, covering "business operations; business management; office functions; advertising"; and services under Class 36, covering "capital investment; financial loans; financial assessment (insurance, banking, real estate); financial services; providing financial information through websites; online banking; brokerage; guarantee; fiduciary management; insurance; credit cards and cash cards". As of the Latest Practicable Date, we have successfully registered six trademarks, consisting of the English "China Zheshang Bank" and our logo in Hong Kong. Details of the trademarks which are materials to our business see "Appendix VIII—Statutory and General Information".

In the course of filing our trademark applications in Hong Kong, we discovered that a trademark, i.e. "浙商" had already been registered and is currently held by a natural person who is an independent third party without authorization from us under Class 36. As a result, our applications for registration of certain trademarks containing the Chinese words "浙商銀行" were preliminarily rejected by the Trade Marks Registry in Hong Kong. We have filed written representations with the Trade Marks Registry in Hong Kong to request a reconsideration of our rejected applications and as of the Latest Practicable Date, the relevant authority is in the process of reviewing our request for reconsideration.

As the trademark "浙商' has already been registered and is currently held by the independent third party, in connection with our trademark applications in Hong Kong, the third party who holds the "浙商" trademark may object to our pending applications for registration of certain trademarks with respect to services similar to those under the "浙商" trademark. If we use the trademark of "浙商銀行" in Hong Kong to provide services and products under Class 36, we may be challenged by the third party.

In order to assert our right in the relevant trademarks, we have taken the following steps:

(1) we have initiated legal proceedings in Hong Kong to apply for a declaration of invalidity for the above-mentioned "浙商" trademark held by such third party, on the basis that we have been registered with the Zhejiang Provincial Administration for Industry & Commerce since July 26, 2004 and commenced operation officially on August 18, 2004 under the "浙商銀行" name and logo, and the trademark "浙商" was filed, inter alia, in bad faith by that third party. See "Risk Factors—Risks Relating To Our Business—The use of the "浙商銀行" as a trademark by us in the course of trade or business in Hong Kong may be challenged due to potential trademark infringement and passing off claims".

(2) We have filed written representations with the Trade Marks Registry in Hong Kong to request a reconsideration of our rejected application for registration of certain trademarks containing the Chinese words "浙商銀行" and to our best knowledge, as of the Latest Practicable Date, the relevant authority is in the process of reviewing our applications for reconsideration.

(3) We have successfully registered, among other trademarks, the combined mark of our logo, the English and the Chinese company name (*i.e.* Registration No. 303440781 details see "Appendix VIII—Statutory and General Information") as one of our trade marks in Hong Kong.

(4) Furthermore, we have applied for the registration of the combined mark of our logo, the English "China Zheshang Bank" and the Chinese "浙商銀行" (*i.e.* application No. 303472506 details see "Appendix VIII—Statutory and General Information") with the Trade Marks Registry in Hong Kong as one of our trade marks. The application was accepted and published in the Hong Kong Intellectual Property Journal on January 22, 2016. Pursuant to the relevant trademark law of Hong Kong, within three months from the date of publication (objectors may apply for a two-month extension), any person may object to the above trademark application. If there is no objection lodged by any third party during the period, the Trade Marks Registry in Hong Kong will approve the application and issue the registration certificate.

During the Track Record Period and as of the Latest Practicable Date, there had been no material intellectual property infringement claims or litigation initiated by others against us, and vice versa.

LEGAL AND REGULATORY

Licensing Requirements

As of the Latest Practicable Date, we had obtained all of the required business qualifications for operations described in this prospectus.

Legal Proceedings

We are involved in certain legal proceedings in the course of our daily operations. Such proceedings primarily include legal proceedings brought by us to recover loans. As of the Latest Practicable Date, we were not acting as a defendant in any material legal proceedings.

As of the Latest Practicable Date, none of our Directors, supervisors or senior management was involved in any material litigation, arbitration or administrative proceedings.

Regulatory Procedures

We are subject to inspection and review by the PRC regulatory authorities (including the CBRC, the PBOC, the SAFE and the SAT) and their respective local branches. Previous inspections and reviews by such authorities have revealed certain non-compliance issues. While these issues did not have a material adverse effect on our business, financial condition and results of operations, we have taken remedial measures to rectify and prevent similar non-compliance incidents from occurring again.

Administrative Penalties

During the Track Record Period and up to the Latest Practicable Date, we had been subject to a total of 49 fines and penalties by domestic regulatory authorities (excluding tax collection and management departments) totaling RMB22.0 million. The specifics of such instances are as follows:

As of the Latest Practicable Date, a total of 24 fines and penalties have been imposed on us by the CBRC and certain of its regional offices. These fines and penalties have been formally imposed on our head office and 16 branches/sub-branches totaling RMB8.0 million. The specifics of non-compliance incidents are as follows:

(1) We failed to properly check the trade background of bank acceptance bills; (2) There were loan funds recycling back in our Bank; (3) We provided our counterparties to non-principle-protected wealth management products with undertakings for guaranteed returns; (4) We failed to conduct proper pre-loan investigations and strict examination for loan payments.

As of the Latest Practicable Date, a total of 17 fines and penalties have been imposed on us by the PBOC, the SAFE and certain of their regional branches. These fines and penalties have been formally imposed on our head office and 13 branches/sub-branches totaling RMB2.2 million. The specifics of non-compliance incidents are set forth below:

(1) We failed to file certain account cancellation information in accordance with mandatory requirements prescribed by PBOC; (2) We searched for personal and enterprise credit reports information without authorization; (3) We failed to properly check the trade background of bank acceptance bills; (4) We failed to perform certain identification obligations or register relevant information in accordance with mandatory requirements; (5) We failed to timely submit reports of block trade and suspicious transactions.

As of the Latest Practicable Date, another eight fines and penalties, totaling RMB11.9 million, have been formally imposed on our head office and seven branches/sub-branches by the local Price Bureaus or the NDRC. The specifics of non-compliance incidents are set forth below:

(1) We had collected financial advisory fees inappropriately; (2) We transferred housing mortgage registration fees in a non-compliant manner.

In addition, six of our branches/sub-branches have also been subject to nine tax-related fines by the PRC tax authorities during the Track Record Period and up to the Latest Practicable Date, with such fines totaling RMB1.7 million. Such fines primarily resulted from our failure to withhold and remit individual income taxes.

We have paid all of the fines formally imposed. We have taken, and will continue taking, appropriate measures to address the issues identified, including (but not limited to) the following:

- In respect of the non-compliant handling of our bill business, we have reinforced our background checks of underlying transactions and have strengthened our verification of funding sources and supervision of the use of funds from bill discounting;
- In respect of providing counterparties to non-principle-protected wealth management products with undertakings for guaranteed returns, we have strengthened the management of our wealth management business, reinforced our operational compliance and regulated the marketing of our wealth management products;
- In respect of our failure to file account cancellation information, we have increased accountability at the relevant office, reinforced on-the-job training and further enhanced our internal enforcement of our regulations;
- In respect of our non-compliant searching for personal and enterprise credit reports, we have strictly implemented relevant credit reporting management requirements and have enhanced the awareness of the need to make lawful inquiries;
- In respect of our failure to perform certain identity recognition obligations in accordance with mandatory requirements, we have clearly organized our identification requirements and have enhanced our data management with respect to the client information;
- In respect of our non-compliant collection of financial advisory fees and non-compliant transfer of housing mortgage registration fees, we have strengthened both our internal control management and the training of our marketing staff. We have also promoted strict compliance with our price management system;
- For the non-compliance in reporting block trade and suspicious transactions in accordance with the applicable regulations, we have stepped up our efforts to build an optimized suspicious transactions self-defining monitoring framework, and to improve supervision rules on block trade and suspicious transactions as part of anti-money laundering system;
- We have enhanced the full-process management of our credit extension business, further improved pre-loan inspection, loan approval process and post-loan management;
- In respect of tax non-compliance, we have improved our tax management system. We also have strengthened training with respect to tax law and regulations for our employees, carried out periodic self-inspection with respect to tax law compliance and promptly rectified tax issues found through such self-inspection;

- For issues arising from deficiencies in the implementation of our policies, we have strengthened our training of our employees and our risk management measures, and have also improved our internal control system;
- For our branches that were not inspected by the regulators, through audits and internal inspections, we have focused on the previously stated issues so as to mitigate similar operational risks and address similar hidden issues; and
- For issues relating to improper implementation of relevant rules, we have provided additional training for our employees, strengthened our risk management and improved our internal controls.

These fines and penalties, individually or in the aggregate, do not and are not expected to have a material adverse effect on our business, financial condition and results of operations nor will they affect our holding of approvals, permits, authorizations or fillings necessary for business operation. As of the Latest Practicable Date, for the fines and penalties formally imposed, we had not received any notice on further actions (including fines and penalties) taken in respect of such incidents nor any request for the implementation of further corrective measures from the regulators. Our PRC Legal Advisor, Zhejiang T&C Law Firm, is of the view that the administrative fines and penalties formally imposed are immaterial as compared to our latest audited total assets and having considered, among other things, the fact that such fines and penalties were fully settled without having any material adverse effect on our business. Our Directors also believe that such fines and penalties, individually or in the aggregate, do not and will not have a material adverse effect on our financial condition or results of operations.

Regulatory Inspections

Deficiencies in our business operations, risk management and internal controls were found during certain routine and special inspections and reviews conducted by PRC regulators. Where appropriate, we have promptly submitted rectification reports to the relevant PRC regulatory authorities and have made corresponding changes. The reports contain the main issues identified and the rectification measures taken. As of the Latest Practicable Date, no relevant PRC regulatory authorities had raised objections to the rectification measures set out in the rectification reports and taken by us, nor had any of them required us to take any further corrective actions. The major issues and inspection results are set out in the tables below.

CBRC

The CBRC and its relevant local supervisory branches conduct routine and periodic inspections of our business, including on-site inspections of our head office and outlets. Based on such inspections, the CBRC and its relevant local supervisory authorities issue inspection reports, which set out the inspection results and provide relevant recommendations. The main issues identified and the guidance provided by the CBRC and its relevant local supervisory branches during the Track Record Period and as of the Latest Practicable Date, as well as the main corrective measures taken by us, are set out below.

Main Issues And Guidance	Our Main Corrective Measures
Credit Business	
• Imprudent pre-lending review and failure to comprehensively review the credit extension to an individual corporate debtor	• We have started to strictly comply with rules and regulations relating to our credit business and have enhanced our operations management
• Improper implementation of post-lending management such as unfound cases where some of our clients transferred loan funds into deposits or bills margin	• We have enhanced our post lending management and strengthened supervision with respect to the use of the funds
Bank acceptance, bill discounting and rediscounting	
• Acceptance of bills was not enforced in strict accordance with our internal control system and the original VAT invoices were not being stamped with the "acceptance handled" seal	• We have standardized our business operations and have started to strictly comply with the regulations of our internal control system with respect to our bill business and other relevant operational requirements
• Credit extension investigations and management were not properly implemented such as funds of bill discounting and rediscounting going back to the bills issuer	• We have enhanced our credit investigation and management of our bill business through self-examination in order to control the funds from bill discounting and rediscounting going back to bills issuers
Inter-bank and intermediary business	
• Few of inter-bank deposit funds were recorded in our margin account, resulting in inflated deposits	• We have strengthened the management of our inter-bank, wealth management and trust businesses, and have also strengthened risk management with respect to these businesses
• Trust account management needed to be strengthened	• We have improved our ability to separately record and manage our trust assets

In addition to the inspections discussed above, the CBRC and its relevant regional offices conduct annual on-site and off-site inspections of our operating conditions and issue annual regulatory opinions based on such inspections, which mainly set out our operating performance results for the year, other important issues and any major regulatory proposals. In the annual regulatory opinions for 2012 to 2014, the CBRC recognized our operating and management performance results, concluded that our principal regulatory indicators met the basic regulatory requirements and provided relevant regulatory opinions with respect to major issues for each year. We also made corresponding improvements and enhancements, and a summary of such measures are set out below:

Main Issues and Main Guidance	Our Main Corrective Measures
Credit Risk Management	
• Control overdue loans and non-performing loans	• We have dynamically adjusted our credit policy, identified our entry criteria, increased our ability to reduce non-performing loans, enhanced collection of overdue loans and interest, improved our risk classification and strengthened our customer credit risk monitoring
• Focus on credit risks associated with high-risk areas and reduce credit concentration risk	• We have increased our focus on credit concentration, implemented quota management with respect to real estate industry loans, continued to optimize our credit structure with respect to the real estate industry and have started to enforce strict compliance with the relevant management requirements for real estate mortgages and project funds.
• Enhance our lending management capabilities	• We have enhanced the skills training provided to our staff, increased their risk awareness, improved the quality of our pre-lending investigation process and post-loan management and improved our business management system.
Liquidity Risk Management	
• Strengthen our liquidity risk management capabilities	• We have revised our management practices with respect to the liquidity risks, improved our limit indicator system for liquidity risks, optimized our monitoring and supervision of liquidity indicators and improved our testing mechanism for liquidity risk stress
• Improve our deposit structure and strengthen consistency with respect to liquidity risk management	• We have optimized our deposit structure, strengthened our deposit stability management, improved our funds management model, optimized our transfer pricing system with respect to the internal funds and accelerated the construction of our asset and liability management system
Information technology risk management	
• Increase the level of our information technology management	• We have increased staffing, further standardized our system development and manufacturing operations and increased our investment in information technology

Main Issues and Main Guidance	Our Main Corrective Measures
• Strengthen our information security management	• We have started to regulate the management of our office terminal and have improved our information security management mechanism
Business Management	
• Control the over growth businesses, and deepen the reform of the governance system	• We have started to manage the ratio between our loans and inter-bank assets, have optimized our division of responsibilities for our inter-bank business and have integrated inter-bank liquidity into our overall liquidity risk management
Capital Management	
• Improve our capital replenishment mechanism and increase our capital adequacy level	• We have dynamically adjusted our plans with respect to our business and capital, improved our replenishment mechanism for sustainable capital, internally enhanced our accumulation of capital and externally expanded our replenishment channels
Corporate Governance	
• Improve our performance appraisal mechanism	• We have improved and promoted our comprehensive and special incentive payment system and improved our assessment mechanism with respect to marketing performance associated with risk management.
Internal control and compliance management	
• Strengthen the management of our branches by our head office with respect to legal compliance	• We have improved our construction of compliance management system and staff allocation, increased inspection and supervision of our branch operations and strengthened our internal control and risk management with respect to certain key areas, including weaker areas
• Enhance management of the behavior of our staff	• We have strictly implemented each of our internal rules, strengthened supervision and inspection through imposing responsibility, drafted an employee manual, started providing orientation courses for employees and improved our employees' awareness with respect to risks and internal control compliance

As of the Latest Practicable Date, the local offices of the CBRC had not issued further opinions with respect to our implementation of the recommendations set out in their regulatory opinion and we had not received any notice requesting us to take further measures or informing us that we would be reprimanded. Based on the inspection results of the relevant local offices of the CBRC, we believe that we have no significant deficiencies with respect to our business operations, internal audit, internal controls or risk management functions, and that the above inspection results have no significant adverse effect on our business, financial condition and results of operations.

PBOC

The relevant local branches of the PBOC conduct routine and ad-hoc inspections, including on-site inspection of our branches and sub-branches. Based on such inspections, the relevant local branches of the PBOC will issue an inspection report which sets out their findings and recommendations.

During the Track Record Period and as of the Latest Practicable Date, the relevant local branches of the PBOC conducted multiple inspections of our Bank. The main issues identified and guidance proposed by the local branches of the PBOC, as well as our major corrective measures, are set out below.

Main Issues And Guidance	Our Main Corrective Measures
Strictly execute the anti-counterfeit currency regulations and strengthen our internal control system for our cash business	We have started to strictly abide by our counterfeit-currency disposal procedures, developed and improved our internal controls and review system, organized and strengthened our business training for counter services employees and completed the upgrading of our money-counting machines
Strengthen our anti-money laundering management, strictly satisfy our "Know Your Customer" and other anti-money laundering related responsibilities and strictly and accurately execute rules with respect to the reporting of doubtful transactions	We have established a sound anti-money laundering system, implemented anti-money laundering personal responsibilities, organized staff training to enhance their anti-money laundering awareness and their understanding of the relevant rules and procedures and improved customer identification and data retention procedures
Improve the design of our financial statistics and credit reporting systems, and strengthen the operation and management of our credit reporting system	We have corrected irregularities, implemented a sound statistical system, increased our credit policy training efforts and enhanced the implementation of such policy
Strengthen our payment and settlement management and properly execute a registration system for the opening and cancelling of accounts	We have corrected irregularities, strengthened the design of our payment and settlement system, improved counter-related operating procedures and strengthened training for relevant personnel

The SAFE

The local branches of the SAFE carry out inspections over our foreign exchange business and issue opinions based on the inspections which set out their inspection results and recommendations.

Main Issues And Guidance	Our Main Corrective Measures
Confirm and promptly update our internal control policies and improve our accounting and statistical reporting system for our foreign exchange settlement business and our operating procedures for our foreign exchange business	We have clarified the responsibilities of each position, thoroughly familiarized ourselves with the relevant documents and regulations regarding the declaration of international payments and organized relevant training for staff in our branches and sub-branches

Main Issues And Guidance	Our Main Corrective Measures
Regulate the operation of, and strengthen risk management for, our foreign exchange business	We have corrected irregularities, improved and regulated the operating procedures for our foreign exchange business and operation management with respect to our business staff, reasonably added internal audit procedures, carried out continuous business training for our employees engaged in our foreign exchange business and intensified our inspections of our branches and sub-branches
Improve the quality of our foreign exchange data, strengthen the accuracy of data entered into our foreign exchange settlement system and improve the quality of data reported in our international balance-of-payments statistics declaration	We have corrected inaccurate information, improved and regulated the operating procedures for our foreign exchange business and operation management for our business staff, improved the examination of our statistics declaration and continuously carried out business training for our employees engaged in foreign exchange business

Compliance with Core Indicators

We are required to comply with multiple ratios as required by the Core Indicators (Provisional) issued by the CBRC. For details concerning our compliance with the Core Indicators (Provisional) during the Track Record Period, see "Supervision and Regulation—Other Operation and Risk Management Ratios." During the Track Record Period, we were not subject to any penalties as a result of non-compliance with any core indicators.

Anti-Money Laundering

During the Track Record Period and as of the Latest Practicable Date, no material money laundering incidents had been identified by us or reported to our senior management. For details of our anti-money laundering measures, see "Risk Management—Compliance and Legal Risk Management—Anti-money Laundering Management".

Incidents Relating to Our Former Employees

Incident Relating to Ms. Zhang Shuqing

In 2014, Ms. Zhang Shuqing, the former secretary of our Board, was investigated by the relevant procuratorate in the PRC. As of the Latest Practicable Date, we had not been notified by the relevant PRC authorities of the reason of such investigation. The trial related to Ms. Zhang Shuqing's case has not yet commenced, and we are not aware of any further material information regarding the case.

Based on the information currently available to the Bank, our Directors believe that the case will not have any material adverse effect on our business, financial condition and results of operations, having considered, among other things, the following:

(i) the precautionary and preventive measures taken by the Bank after the incident, including terminating Ms. Zhang Shuqing's role as secretary of the Board as well as head of the Board office with effect from November 2014 with appropriate replacement assuming the relevant responsibilities, reviewing and improving of our internal control measures and strengthening the education of our employees in respect of compliance matters;

(ii) as of the Latest Practicable Date, to the best knowledge of the Bank, neither the Bank nor any of our other employees had been under investigation or subject to any administrative penalties in respect of the incident relating to Ms. Zhang Shuqing;

(iii) the case relates to the suspected violation of laws by an individual former employee and none of the Directors or senior management were involved in this incident; and

(iv) the duties of secretary of the Board stipulated in the Articles of Association do not involve our day-to-day business and financial operations.

We will continue to enhance our risk control and internal management systems. Save as disclosed above, during the Track Record Period and as of the Latest Practicable Date, there had been no material legal proceedings involving our staff.

Incident Relating to Mr. Liu Hao

Mr. Liu Hao, the Bank's ex-employee, as an accomplice to a group of perpetrators outside the Bank, was sentenced by the competent court of the PRC in December 2014 for professional embezzlement taking place during the period from the second half of 2005 to the first half of 2006 when he was an employee of the Bank.

The Bank understands from the indictment (the "Indictment") against Mr. Liu Hao by the People's Procuratorate of Tianning District of Changzhou City, Jiangsu Province, that during the period from the second half of 2005 to the first half of 2006, Mr. Liu Hao colluded with Shen Hudong ("Mr. Shen") to trade bonds in the interbank bond market. Mr. Liu Hao took advantage of his capacity as a bond trader at the Bank and traded bonds with companies controlled by Mr. Shen, which were holders of Class C accounts. According to the Indictment, Mr. Liu Hao and Mr. Shen committed the wrongdoing by doing the following: firstly, Mr. Liu Hao would disclose the Bank's bond allocation requirements to Mr. Shen; then, the companies that Mr. Shen controlled (which held Class C accounts) would buy the bonds that the Bank needed at market price; lastly, such purchased bonds would then be sold to the Bank at a higher price, the margin of which would then be shared according to their agreed ratio, such that both of them made a profit. Apart from Mr. Liu Hao, neither the Bank nor any of its employees was involved in the incident.

Mr. Liu Hao committed the offence by performing arbitrage in the interbank bond market through exploiting loopholes within the trading mechanism established by the PBOC, which have been closed. Such loopholes included:

(1) Trading with Class C accounts: The interbank bond market settlement agency business was first established in October 2000, three classes of settlement accounts were used in the interbank bond market, i.e. Class A accounts (甲類帳戶), Class B accounts (乙類帳戶) and Class C accounts (丙類帳戶). Pursuant to, among other documents, *the Notice on the Relevant Issues concerning Launching the Bond Settlement Agency Business* (《關於開辦債券結算代理業務有關問題的通知》) issued by the PBOC, Class A accounts were for qualified financial corporations which were allowed to conduct the interbank bond trading through its proprietary account (為自營帳戶辦理自營業務) and the bond settlement agency for Class C accounts (為其所代理的丙類帳戶辦理代理業務); Class B accounts were for qualified financial corporation which were only allowed to conduct interbank bond trading through its proprietary account (為自營賬戶辦理自營業務), such as our Bank; and Class C

accounts were mainly for non-financial corporations which could only trade bonds on the inter-bank bond market through its settlement agency (只能通過其代理行甲類戶與其他交易對手交易). Under such system, when bond trader of Class A accounts traded bonds with counterparties, e.g. Class B accounts, only the name of Class A accounts would appear in the trading system, and therefore, risk monitoring staff of its counterparties would not be able to determine whether the transaction was made by Class A accounts for its proprietary accounts or made on behalf of the relevant Class C accounts. Bond traders of Class B accounts could then collude with holders of Class C accounts (or their accomplice) to manipulate the trading price for profit and tunnel benefits by buying bonds at a higher price from, or selling at a lower price to, Class C accounts under the Class A accounts' custody.

(2) Pricing mechanism: Under the market practice adopted by the industry, interbank bond trading did not adopt a call auction model, but the net trading price (excluding interests) was negotiated by the contracting parties (詢價方式，自主談判). China Central Depository & Clearing Co., Ltd. ("CCDC") would consider net trading price "normal" if the difference between the net trading price and its corresponding valuation results provided by CCDC does not exceed 2% and the difference between the yield and the its corresponding valuation results provided by CCDC was less than 200bps (collectively known as, the "Price Deviation Allowance"). Under this pricing mechanism, bond traders in banks could take advantage from their position and tunnel interest through non-transparent deals by making use of this self-negotiation pricing mechanism and Price Deviation Allowance.

Such loopholes in the market have been closed through the following measures since April 2013:

(i) Trading with Class C accounts: (i) The PBOC rectified the process of opening new accounts for relevant accounts and suspended the opening of new Class C accounts. (ii) The PBOC rectified that non-financial institutional investors (非金融機構合格投資者), being "Class C accounts" in the interbank bond market, were only allowed to trade through Beijing Financial Assets Exchange (北京金融資產交易所), a "qualified non-financial institutional investors trading platform". Private trading between non-financial institutional investors was prohibited. Qualified non-financial institutional investors could only trade on this platform where the trading is conducted by principal underwriters of debt financing vehicles of non-financial enterprises and interbank bond market makers, and trading mechanism like market maker quoting and one-click-order was newly implemented to replace one-to-one inquiry of trading by agreement.

(ii) Pricing mechanism: (i) The CCDC will contact parties to a bond transaction for inquiries under certain circumstances, including where the difference between the net trading price in a transaction and its corresponding valuation results provided by CCDC is close to or exceeds the Price Deviation Allowance. (ii) Parties to a bond transaction where the difference between the net trading price of such transaction and its corresponding valuation results provided by CCDC exceeds the Price Deviation Allowance shall report to the CCDC and China Foreign Exchange Trade System (中國外匯交易中心). (iii) The practice to trade in the interbank bonds based on self-negotiation between the contracting parties is less frequent in the market. Through various policy enhancement and encouragement, most commercial banks, including our Bank, now obtain price quotation and conduct transactions through independent professional brokers (中介報價商) or market maker, which has become the current market practice adopted by the industry to avoid bond traders making use of the job convenience to tunnel interest through non-transparent deals.

Our Directors believe that the case did not and will not have any material adverse effect on our business, financial condition and results of operations having considered, among other things, the following:

(i) the case against Mr. Liu Hao has been closed and neither the Bank nor any of our other employees had been under investigation or subject to any administrative penalties in respect of the incident relating to Mr. Liu Hao;

(ii) the case relates to the suspected violation of laws by an individual former employee and none of the Directors or senior management were involved in this incident;

(iii) such incident was partly attributable to trading loopholes then existing which have been closed as described above;

(iv) the Bank has strengthened its internal control and monitoring of the relevant trading as described below:

- continuously and gradually establishing and improving the management system for trading business;
- formulating the basic system for market risk management and the relevant operational rules;
- establishing, improving and implementing capital trading risk limit (including stop-loss limit) management system;
- achieving a daily monitoring of trading accounts and valuation measurements;
- establishing automatic integrated processing system for front, middle, and back office of trading to promptly monitor the transactions; and
- allocating independent staff to identify, measure, monitor and control the trading and related risks.

In particular, the Bank has strengthened its monitoring of the pricing in interbank bond trading with, among others, the following specific measures, which are in place to monitor the pricing in the trade regardless of whether the trade is made within the range of normal price deviation recognized in the industry from time to time:

- establishing mechanism to audit and inspect the trading records of the traders who are required to take leave during such inspection;
- trading through the brokers who provide the relevant market information to the Bank, thus ensuring the trading are conducted at a fair price;
- trading with market makers through the China Foreign Exchange Trade System;
- obtaining multiple quotations from other financial institutions for trades not conducted through brokers or market makers to ensure that the Banks has a fair value reference for the purpose of monitoring; and
- keeping daily transaction records (including the profit and loss in trading) for inspection.

See “Risk Management—Market Risk Management” and “Risk Management—Operational Risk Management”.

OVERVIEW

As a commercial bank in the PRC, we mainly face the following risks: credit risk, market risk, liquidity risk, operational risk, information technology risk, compliance risk, and reputational risk.

We have adopted a prudent and solid risk management strategy, which focuses on effective and strategic risk management and compatibility between our risk management and business operations. We have established a comprehensive risk management system which is in line with our "full-asset class operation" strategy.

Risk Management Objectives

Our risk management objectives are to:

- Cultivate an advanced risk management culture, increase risk-adjusted return, reduce asset losses, and gain competitive advantages through effective risk management;
- Improve our risk management organizational structure, appropriately allocate our risk management departments and personnel, and promote coherence between our risk management capacity and business development;
- Improve our risk management systems and policies, optimize our risk management mechanisms and continue to strengthen our internal control and management systems;
- Optimize our risk management tools and methods, establish an internal credit risk rating system, develop new and customized market risk measurement methods and quantitative models, and improve our tools and methods with respect to operational risk management; and
- Strengthen the design and the development of our risk management systems, promote interactions between our risk management systems and our business systems, improve system control capabilities and develop integrated risk analysis systems and data research platforms within our Bank to support and facilitate the decision-making process with respect to risk management.

Risk Management Measures

We have taken a variety of measures to enhance our overall risk management capacities, including the following:

- Carrying out prudent and solid risk management strategies:

  Adhering to a comprehensive risk management philosophy, focusing on implementing the Basel II and Basel III, improving our risk management framework, diversifying risk management methods and tools, and enhancing our risk management systems and mechanisms to improve our risk management capabilities so as to adapt to the "new normal", new opportunities, and new businesses.

- Optimizing our risk management structures and functions, including:

  (i) Strengthening our vertical management model and implementing our risk monitoring officer dispatching policy:

    (a) Our risk monitoring officer dispatching policy is a distinguishing feature of our risk management system. The risk monitoring officer is dispatched by our head office and holds the position of vice president or the president assistant of the branch where he/she is dispatched and reports directly to our head office. The remuneration, benefits and allowances for such risk monitoring officers are determined by our head office based on the risk management conditions and the business performance of the dispatching branch where he/she is dispatched. Each risk monitoring officer has veto right with respect to the credit approval projects of the branch where he/she is dispatched. Risk monitoring officers timely and independently report the risks to our head office; a branch may further dispatch risk monitoring supervisors to its sub-branches to strengthen the vertical risk management system. The risk monitoring supervisor directly reports to the risk monitoring officer; and

    (b) Dispatching risk monitoring officer to the information and technology department of our head office who is responsible for the management and control of information technology risk. This risk monitoring officer's personnel relation is managed by the risk management department of the head office.

  (ii) Establishing dedicated risk control departments at the head office for various business sectors, including:

    (a) Establishing financial market risk management department, which is responsible for the monitoring and management of risks relating to financial market business;

    (b) Establishing a small enterprise risk management department in small enterprise credit center, which focuses on risk management with respect to our small and micro enterprise credit business;

    (c) Establishing a personal banking risk management center under the personal banking department, which is responsible for risk management with respect to personal consumption loan business and residential mortgage loan business;

    (d) Establishing an investment banking risk control department in the investment banking department, which is responsible for risk management with respect to our investment banking business;

    (e) Establishing risk management center, assets preservation center and credit control center in our credit card department, which are responsible for risk management of credit card business; and

    (f) Establishing information security center (risk management center) in information and technology department, which is responsible for our management of information technology risk.

- Improving our risk management rules by taking the following measures:

  (i) Developing risk management policies and implementation measures with respect to such risks as credit risk, market risk, liquidity risk, operational risk, information technology risk, compliance risk and reputational risk, and continuously revising such rules based on the development of our business and the effectiveness of our risk management.

- Establishing professional credit review and approval process with clearly assigned responsibilities:

  (i) For our corporate credit business, all corporate credit applications should be submitted to our credit assessment department for review and to our credit review committee for discussion. Our branches can approve such applications within their authority and must submit applications beyond their authority to our head office for review and approval. Meanwhile, in order to improve the professional standards for our review and approval of credit extensions, industry/product-focused centers and regional review centers have been established by the credit assessment department in our head office to review and approve credit applications for specialized credit businesses such as those for the real estate industry and local government financing vehicles. We also grant our dedicated reviewers independent approval power specific business areas, which also improves our professional services with respect to credit extension review and approval.

  (ii) For our small and micro enterprises credit business and individual credit business, our branch-level small enterprise and personal banking risk management departments are responsible for reviewing our small and micro enterprises credit business and individual credit business. Credit applications are further submitted to authorized persons for final approval.

- Strengthening our information technology system and introducing advanced risk management tools, including:

  (i) In respect of trading systems, we introduced the risk management information system OPICS and SUMMIT FT developed by the internationally well-known capital transaction management system vendor Misys, which have achieved comprehensive inter-system linkage and direct-through processing;

  (ii) Our credit monitoring system, through information sharing of various process including credit extension contracts, receipts of loans, customer information, guarantee and collateral information, allows us to perform multi-dimensional risk analysis, risk monitoring and risk tracking;

  (iii) Our unified quota management system, which covers four different levels of comprehensive credit limit management system, including approval of credit extension quota, approval of business projects, management of business contracts and management of loan granting. This system also covers unified credit limits for corporate customers and small and micro enterprises as well as credit limits for inter-bank business. This system can achieve the goal of unified coordination and management of clients and their credit quota according to business types and methods of guarantee;

(iv) Our customer risk reporting system has incorporated unified customer risk data quality control standards as well as a reporting platform, enhancing our ability to collect customer data and to identify risks;

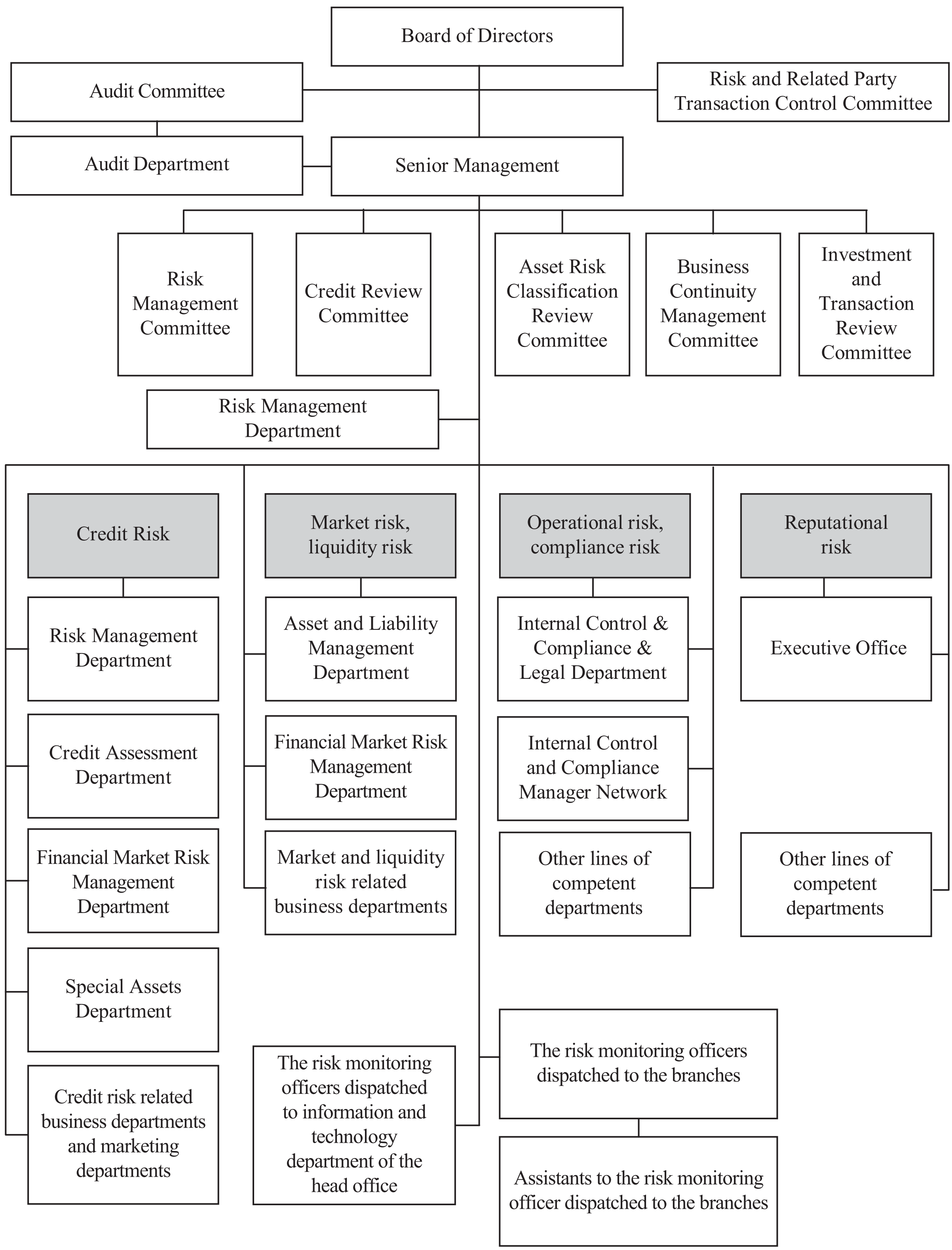
(v) We have established a centralized-processing counter service system based on service-oriented architecture (SOA), an e-business approval and centralized loan granting process, an IC card system, a bill pool system, a payment password system, and interest-based engine platform, further streamlining the business processing, routinizing system control and ensuring rigid risk controls;

(vi) We established and enhanced anti-money laundering systems and mechanisms. The anti-money laundering system allowed us to monitor activities, provide early warnings, perform investigation, track and report on domestic/foreign currencies and large amount and suspicious transactions by quantitative anti-money laundering alert model. Our anti-money laundering system uses online analytical tools to analyze data. Such tools are capable of quickly and accurately obtaining results through calculating, monitoring and analysis; and

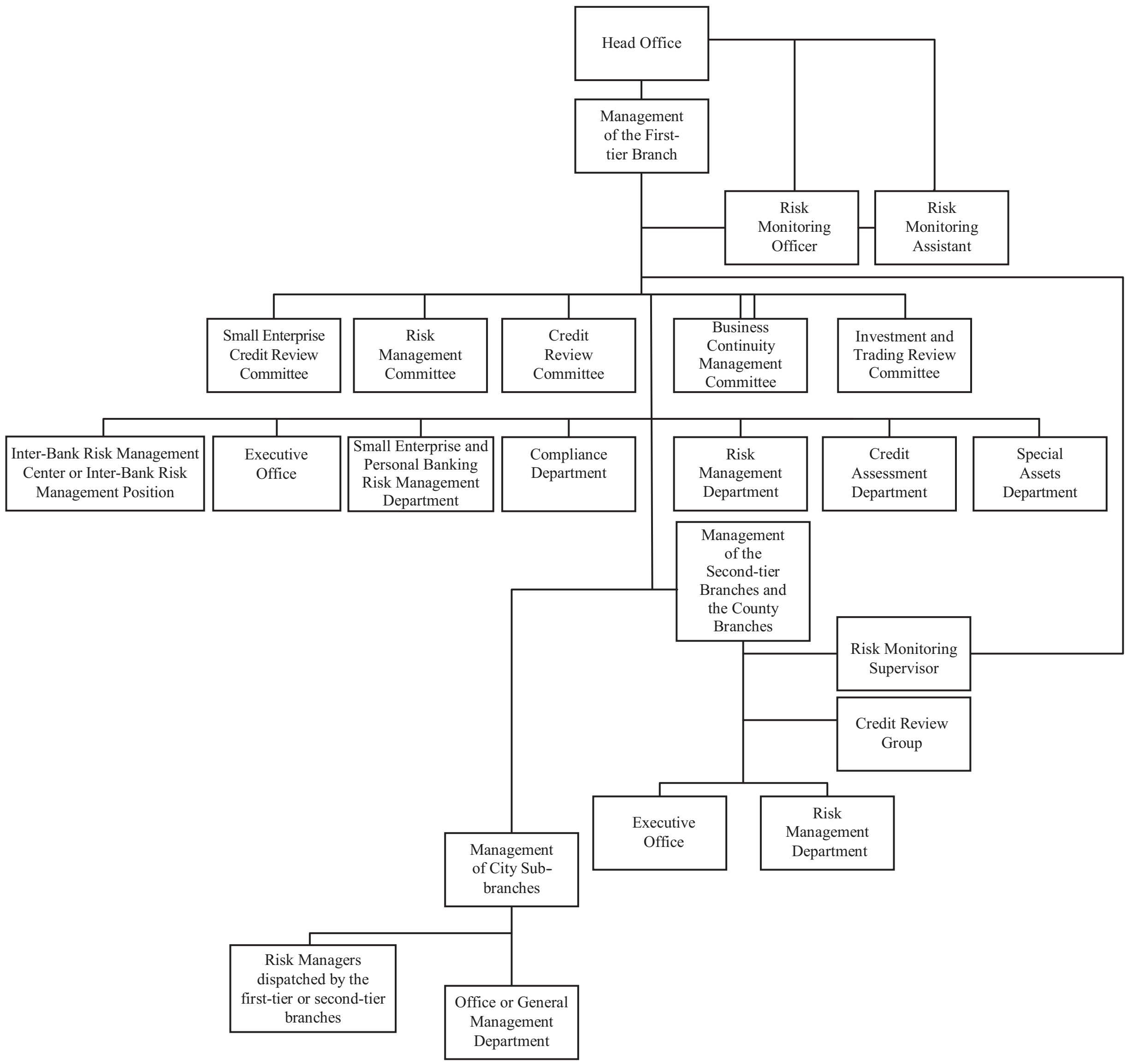
(vii) Our off-site monitoring system and our operational monitoring mechanism have been established, realizing the automation of our business monitoring and risk warning.

RISK MANAGEMENT STRUCTURE

As of the Latest Practicable Date, our risk management organizational structure at our headquarters level was as follows:



As of the Latest Practicable Date , our hierarchic structure of risk management was as below:



The Board and Special Committees of the Board

The Board is the highest decision-making body with respect to our risk management and is responsible for determining our overall risk preference and risk tolerance level, approving of our risk management strategies, policies and procedures, and supervising our senior management to take all necessary measures to manage our risks and monitoring and evaluating the comprehensiveness and effectiveness of our risk management efforts. Our risk and related party transaction control committee and audit committee are set up under the Board of Directors.

Risk and Related Party Transaction Control Committee

Our risk and related party transaction control committee supervises our senior management's risk control activities, assesses our risk profile, proposes recommendations to improve our risk management and internal controls, examines and accepts the filing of general connected transactions or transactions required to be declared, announced and/or approved by independent shareholders according to the relevant rules and regulations of the securities regulatory authorities in the places where our Bank is listed, and submits such transactions to our Board of Directors for approval.

Audit Committee

Our audit committee examines our accounting policies, financial position, financial reporting procedures and risk and compliance status. It also makes proposals for the appointment and replacement of external auditors, supervises our internal audit system and its implementation, facilitates communication between internal auditors and external auditors, reviews our financial information and the related disclosure and prepares reports on the authenticity, accuracy, completeness and timeliness of the audited financial reports to be submitted to our Board of Directors for consideration.

Senior Management and Special Committees of our Senior Management

Our senior management, as authorized by our Board of Directors, oversees our risk management activities and makes decisions with respect to risk management. Special committees, including our risk management committee, credit review committee and asset risk classification review committee, business continuity management committee and Investment and Transaction review committee are set up under our senior management.

Risk Management Committee

Our risk management committee comprises the president, vice presidents and the president assistance of our head office, key personnel at our head office who are responsible for certain risk management and business management departments and the risk monitoring officers dispatched to certain departments at our head office. The president of our head office serves as the chairman of our risk management committee. Our risk management committee is mainly responsible for organizing, coordinating and managing various risks, including credit risk, market risk, liquidity risk, operational risk, information technology risk, compliance risk and reputational risk. Pursuant to the Basel Accords and the regulatory requirements, our risk management committee mainly focuses on promoting the implementation of our advanced capital management method. The executive office set up under our risk management committee is responsible for reviewing and accepting proposals and various other daily activities.

Credit Review Committee

Our credit review committee mainly reviews projects related to our credit extension business. It also provides market knowledge support to the personnel who approves our credit extension projects, as well as certain checks and balances with respect to the approval power of such personnel.

Asset Risk Classification Review Committee

Our asset risk classification review committee is responsible for risk classification of assets which are beyond the authority of our branches. It also provides market knowledge support to the authorized individuals who determine the classification of such assets and provides certain checks and balances with respect to the power of such individuals.

Business Continuity Management Committee

Our business continuity management committee is mainly responsible for reviewing our policies and procedures related to business continuity management, coordinating and allocating adequate resources to ensure the implementation of such policies and procedures, improving our disaster recovery system, setting and reviewing our recovery goals and strategies for important business and information systems and researching and implementing emergency command, coordination and processing controls for potential major bank-wide emergencies relating to business continuity.

Investment and Transaction Review Committee

Our investment and transaction review committee reviews our investments and transactions and provides market knowledge support to the authorized individuals in charge of approving such investments and transactions. It also provides certain checks and balances with respect to the approval power of such individuals.

Risk Management Departments

Risk Management Departments of Our Head Office

Risk Management Department: The risk management department is primarily responsible for promoting our overall risk management and the development of our comprehensive risk management system. It is in charge of coordinating the management of the risks we face. It is also in charge of managing our credit risk identification, measurement, monitoring, control and reporting efforts. The main responsibilities of our risk management department include:

- Coordinating the drafting of, and making improvements to, our risk management policies with respect to various aspects of risk management, and drafting our basic business policies as well as the capping policies and management requirements of our main risks;

- Coordinating the drafting of our annual fundamental authorization proposals and guiding our branches with respect to their authorization management;

- Reviewing risks with respect to our basic admittance standards for our main businesses;

- Coordinating the monitoring, examination and the implementation of various risk management rules and regulations;

- Coordinating the measuring, monitoring, inspection, analysis and assessment of risks generally, and providing reports on our risks and risk management to regulatory authorities and our Board of Directors and senior management; and

- Coordinating the systematic development, implementation, improvement and maintenance of our risk management system.

Asset and Liability Management Department: based on our overall risk preference and basic operating strategies, our asset and liability management department conveys our business strategies to the operating units of our head office and our branches through four different ways, including budget management, price management, economic capital management and our business policies. So doing allows us to effectively control our capital risks, liquidity risks and market risks. Our asset and liability management department is responsible for the identification, measurement, monitoring, control and reporting of market and liquidity risks. It regulates our capital adequacy, optimizes the structure and duration of our assets and liabilities and optimizes our interest rate structure and currency type structure through liquidity management and market risk management. This allows us to limit our liquidity and market risk within an acceptable range. Specific functions of our asset and liability management department include:

- Capital management, including preparation of capital plans and annual plans with respect to our capital adequacy ratio;
- Budget management for assets and liabilities, including research and preparation of business plans and operating policies;
- Establishing indicator systems for liquidity management and market risk management, including budgeting and scheme execution index systems;
- Implementing deposit insurance policies;
- Developing our asset and liability management information system; and
- Carrying out the responsibilities of the executive office of the asset and liability management committee.

Internal Control & Compliance & Legal Affair Department: Our internal control & compliance & legal affairs department is mainly responsible for the identification, measurement, monitoring, control and reporting of operational and compliance related risks. It has six centers comprising an internal control center, compliance management center, system management center, anti-money laundering management center, legal affairs center and consumer rights protection center. The responsibilities of these centers include the following:

- The internal control management center is responsible for the organization and promotion of internal control management and case monitoring and management, as well as the evaluation of our internal controls at all levels;
- The compliance management center is responsible for organizing and promoting our overall compliance risk management;
- The system management center is responsible for management and development of our systems and standards;
- The anti-money laundering management center is responsible for the development and promotion of our anti-money laundering endeavors;
- The legal affairs center is responsible for the management of our legal affairs; and
- The consumer rights protection center is responsible for consumer rights protection.

Financial Market Risk Management Department: Our financial market risk management department is responsible for organizing and managing the examination of and approvals for our financial market business on the head office level. It is also responsible for risk management and review on duration management with respect to our financial market business at our head office. It has five centers, including risk reviewing center one, risk reviewing center two, operating risk management center, monitoring and reviewing center and comprehensive management center. The responsibilities of these centers include the following:

- The risk reviewing center one is responsible for the examination and approval of our capital market business;

- The risk reviewing center two is responsible for the examination and approval of inter-bank business, including centralized credit extension to inter-bank customers;
- The operating risk management center is responsible for risk management with respect to our operational risk of financial market business at our head office;
- The monitoring and reviewing center is responsible for market risk management with respect to transaction accounts. It is also responsible for reviewing the duration management of financial market businesses at our head office; and
- The comprehensive management center is responsible for comprehensive affairs management, department coordination and team building.

Executive Office: Our executive office is responsible for daily management of our reputational risk.

Audit Department: Our audit department is responsible for risk management monitoring and evaluation. It also carries out our risk management audits.

Risk Management Framework of Our Branches and Sub-branches

The risk management structure of our branches consists of each branch's management, risk management committee, credit review committee, investment and transaction review committee, business continuity management committee, risk management department, credit assessment department, special assets department, small enterprise and personal banking risk management department, compliance department and executive office. The management of each branch is responsible for risk management within its respective region. The risk management department of each branch is responsible for organizing the identification, measurement, monitoring, control and reporting of risks within its respective region. In accordance with its business development status, each of our branches has set up a credit assessment department, special assets department and small enterprise and personal banking risk management department.

The risk management system of our sub-branches consists of each sub-branch's management, credit review group, risk management department and executive office. Certain second-tier branches, and city sub-branches implement differentiated management based on their individual circumstances.

The risk management departments of each of our branches and sub-branches report to their supervisors at both our head office and the risk management departments of their respective superior banks, while the risk monitoring officers independently report to the President of our head office, the senior management in charge of risk management and the risk management department at our head office.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk of losses due to the default of counterparties and debtors or a decline in their credit. Our credit risk primarily relates to both on- and off-balance sheet businesses, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit and letters of guarantee. The credit risk management system for our Bank consists of the president at our head office, senior management at our head office, the risk management committee, the presidents at our branches and sub-branches, the management teams at our branches (risk monitoring officer (supervisor)), the credit review committee (team), the investment and transaction review committee (team), the risk management department, the business department, the marketing department and the audit department. As authorized by our Board of Directors, the president at our head office who is our chief decision maker with respect to credit risk is responsible for organizing the credit risk management of our Bank and the promotion of the strategies, policies and decisions of our Board of Directors. The president is also responsible for formulating and implementing our fundamental policies and systems for credit risk management.

Credit Policy Guidance

We formulate fundamental policies for our credit business at the beginning of each year based on the changes to our operating environment and our internal operating and risk conditions. Such policies serve as instructions for the adjustments to be made to certain aspects of our credit business, such as its structure and regional distribution, our customer composition and other important aspects. In accordance with such fundamental policies, we also instruct our branches to establish regional operating policies based on their local conditions. In addition, we periodically refine our credit policies according to the development of and trends in the macro economy and our industry.

Credit Risk Management for Loans to Large and Medium Enterprises

We have established a standardized credit approval process and risk accountability mechanisms and have taken measures to mitigate the risks associated with loans to large and medium enterprises. The following table sets out our credit approval process:

Basic process	Description
Review and approval of the credit extension scheme for our credit business	The customer makes an application and through investigation, review, deliberation, evaluation and approval, we determine the appropriate unified credit extension scheme, approve the total credit line for the customer and address such specifics as the products, guarantees, terms and management requirements.
Investigation, examination, approval and loan release for each loan under the unified credit scheme	When customers need to draw down a loan, we conduct a review and grant approval based on each individual loan, focus on the implementation of any decision-making requirements and review the usage of funds and the credit customer's individual circumstances. We will then underwrite, audit and approve the loan according to the decision-making views and any single business approval comments.
Post-lending inspection	We track, analyze, evaluate and report on our credit customers, their business management and their risk situations. Such follow-up inspections mainly include inspecting the basic condition of the customers, their financial variation condition, their operating condition, their financing variation condition, their mortgage (pledge) condition and other non-financial factors.
Risk Warning	In the process of operating our credit business, we are able to promptly identify customer risk warnings, determine the extent of the risk pose to our credit assets and report to in accordance with prescribed procedures. Our relevant departments and personnel will then propose contingency plans to mitigate the risks in accordance with certain specified procedures. Such proposals are then implemented to minimize the risks.
Non-performing loan management	We collect, maintain and dispose of non-performing loans. For existing non-performing loans, we develop recovery plans as well as disposal plans in order to implement our policies and determine personal accountability. We also make appropriate adjustments, when necessary.

Credit Application

Credit application refers to the process by which customers apply to us for credit. The application is required to state the amount, the business product and the terms.

Credit Investigation

Our credit investigations utilizes a "dual investigation" system, whereby the investigator and co-investigator together investigate and verify a customer's situation through field surveys and by reference to enterprise credit systems which contain the customer's information and any relevant certificates. Such investigations focus on the customer's background, solvency and willingness to repay the loan. Following such investigation, we prepare an investigation report. The content of our investigation report includes, the basic circumstances of the borrowers, their main strengths and weaknesses, their competitiveness, their prospects and financial indicators.

Credit Rating

The credit ratings for large and medium enterprise clients are divided (from high to low) into 11 levels, including AAA+, AAA, AAA-, AA+, AA, AA-, A+, A, A-, B, and C. A customer's credit rating is based on that customer's solvency and willingness to repay loans. A credit rating primarily indicates the solvency, profitability, operational capacity, credit status and prospects of a particular customer. When determining a customer's credit rating, our examiners apply a scoring system, quantify the assessment contents and preliminarily determine the customer's credit rating depending on the score. The examiner then makes a qualitative judgment. At the same time, members of our credit review committee evaluate and vote on such credit rating. An authorized individual will then conduct a final review and grant approval. During the credit rating process, we divide large and medium enterprise customers into categories based on their individual operating nature, such as industrial, trade, real estate, construction, tourism and hotel services, utilities (including infrastructure, transportation, telecommunications and others), investment management, education and health care. The credit rating process is then conducted according to such criteria as stated in the scoring system.

Our customer's credit ratings are mainly used to determine whether or not to accept a client and how much economic capital we will allocate to them. For example, credit loans require a customer's credit rating to be AAA- or above. When calculating the amount of economic capital that will be utilized for our credit business, the lower the credit rating is, the higher the amount of economic capital will be utilized.

Our credit ratings are valid for one year. If a client experiences a major event within the validity period of the credit rating, the customer's credit rating must be re-evaluated and adjusted. After the expiration of the credit rating, we re-evaluate the customer's credit rating when conducting credit rating renewals for the next year.

Value Assessment of Collateral, Pledge and Guarantee

Our loans to large and medium enterprises are mainly secured by collateral, pledged goods or guarantors. See "Description of Our Assets and Liabilities—Assets—Loans and Advances to Customers—Loans and Advances to Customers by Security Type." The valuation of collateral is carried out according to our "initial assessment of collateral value—determination of collateral value" process. The initial assessment of the value of an asset being used as collateral is our marketing department's responsibility. This assessment can be performed by our marketing department at various levels or by appointing a third-party professional evaluation agency. Mortgaged or pledged property which cannot be assessed by us should be assessed by a professional evaluation agency recognized by us. Our marketing departments determine the initial value of an asset being used as collateral based on an assessment report provided by the professional evaluation agencies. When engaging a third-party professional evaluation agency, we apply our "approving by the branch – reporting to the head office" policy. Our head office regularly publishes a list of approved external professional evaluation agencies for each year. In addition, different collateral usually has different mortgage or pledge rates, which, in principle, are not permitted to exceed a specified cap . However, we dynamically and flexibly adjust mortgage and pledge rates according to different industries and geographical regions.

The table below sets out the maximum loan-to-value ratios of the principal types of collateral securing our loans (applicable to both corporate loans and personal loans) in normal circumstances:

Main Types of Collateral	Cap for the Mortgage Rate
Real Estate	70%
Construction land use rights	70%
Construction in progress	50%
Transportation vehicles	50%-60%
Equipment	30%-70%
Metals and petrochemical products	50%-70%

Main Types of Collateral	Cap for the Pledge Rate
Movable property	50%
Certificates of deposit, bank drafts, treasury bonds and financial bonds	80%-100%
Account receivables, equity and fund shares	50%-60%
Warehouse receipts and bills of lading	60%

In respect of the post-loan management of collateral, we have mainly taken measures including post-loan regular check and credit extension renewal assessment. If the correspondent fair value in an open market exists, we will assess the value of the collateral throughout its life-time with reference to its market fair value. If the correspondent fair value in an open market does not exist, we will carry out post-loan check by on-site inspection. We will request the mortgagor (pledgor) or the debtor to take remedial measures acceptable to us when the value of the collateral decreases significantly or when the loan-to-value ratio of the collateral increases significantly. If they refuse to take remedial measures acceptable to us, we will request the debtor to repay the debt in advance or to take other timely preservation measures.

For guaranteed loans, we will perform a detailed analysis of the operating condition, financial position, credit situation and compensatory ability of the guarantor so as to determine the appropriate amount of the guarantee.

Credit Review and Approval

Our credit review and approval procedure for large and medium enterprise customers has four steps: review, deliberation, evaluation and approval.

Review: The main reviewer conducts a comprehensive review and analysis of the investigation report and related information from a risk control perspective, analyzes strengths and weaknesses as well as major risks of each credit extension proposal, proposes specific risk prevention measures, puts forward proposals for credit extension quotas and finally, issues a review report. The main reviewer is responsible for the review report issued. The auxiliary reviewer provides auxiliary review comments from the perspectives of risk control factors such as certain risk with respect to businesses types and industries, and issues an auxiliary review report. The re-examiner re-examines the credit extension proposal based on relevant laws and regulations, industrial policies and our credit extension policy. The re-examiner also determines whether or not to approve/report the credit extension proposal and takes responsibility for the re-examination comments.

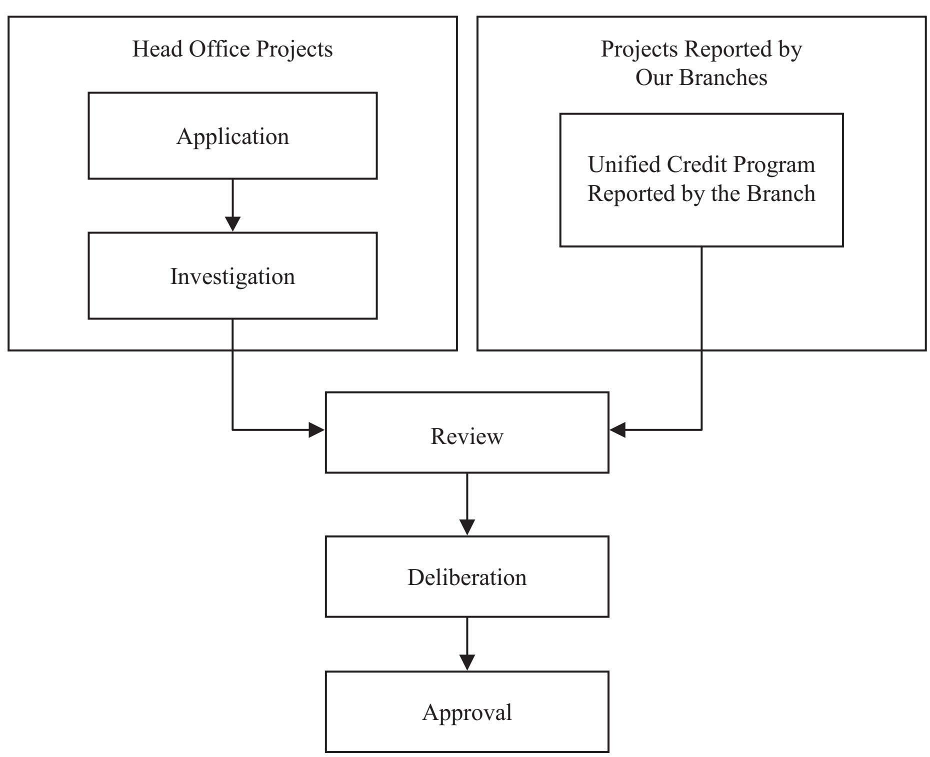
Deliberation: The credit review committee or credit review group deliberates and votes on the credit proposal.

Evaluation: The evaluation duties are performed by the risk monitoring officer dispatched by our head office or by the risk monitoring supervisor dispatched by one of our branches. Such parties give comments on the credit programs, sign consent for approval forms or provide comments regarding. They also determine the level of authority required to approve the credit programs.

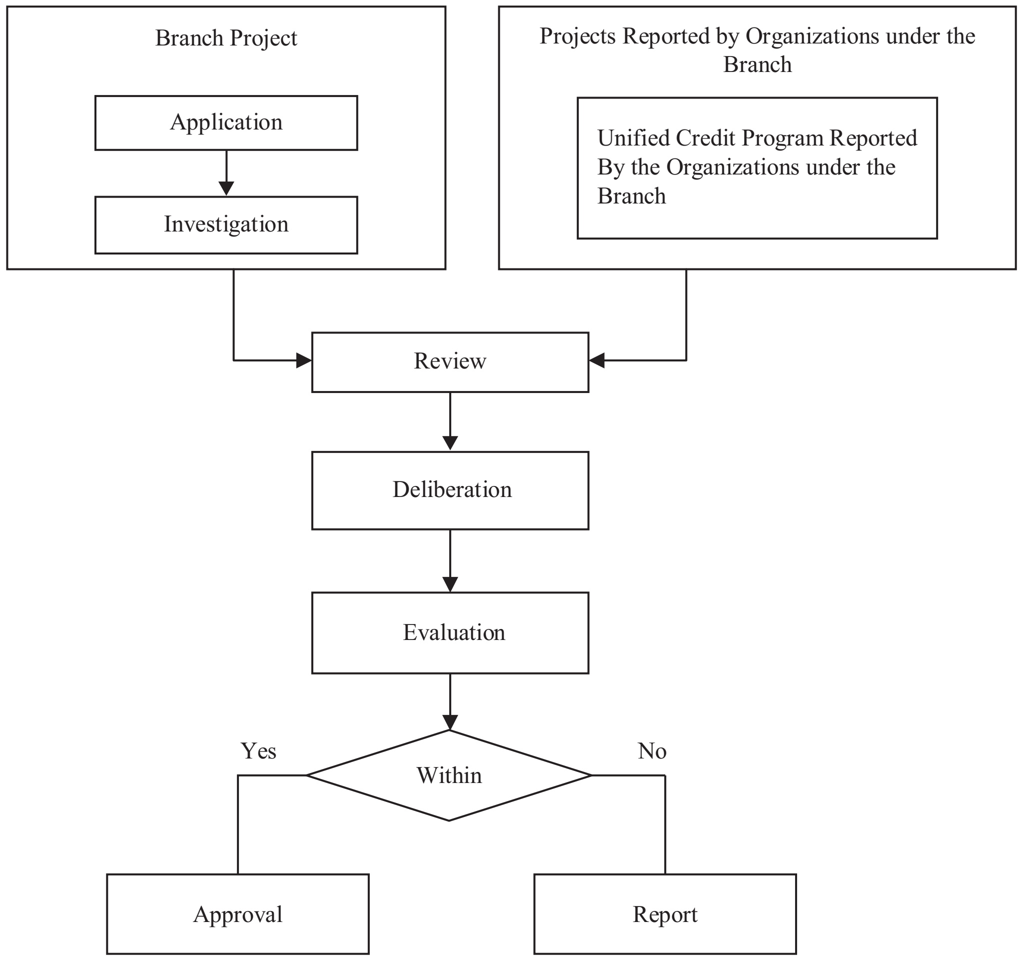
Approval: An authorized individual issues approval comments pursuant to the prescribed level of authority and is responsible for such comments.

The following chart sets out our general procedure for review and approval of loans to large and medium enterprise customers as of the date of this prospectus:

Review and approval flow chart for our head office:

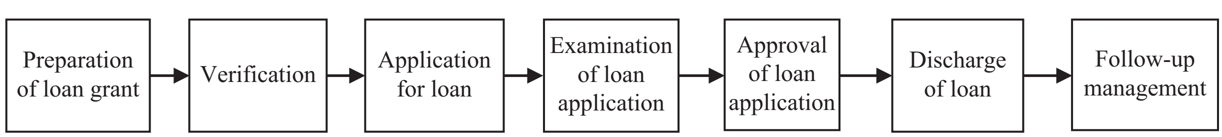


Review and approval flow chart for our branches:



Granting of loans

The following chart sets out our procedures for the granting of loans.



The loans we grant are required to meet certain loan management requirements, such as the requirement that they have sufficient guarantee measurements, signed contracts and valid and authentic resolution. We emphasize the importance of verification and request double verification and two witnesses during collateral registration and contract stamping, as well as when important documents are picked up. At such times, we require that one of the witnesses be a designated full-time verification manager. In addition, the two witnesses cannot concurrently be client managers.

Post-lending Management

We conduct post-lending examinations at regular intervals and rectify any related errors to reduce the risk of contract defaults. Our account managers are in charge of post-lending examinations, and they regularly evaluate our loans. Our post-lending monitoring mainly focuses on how a loan is being used as well as the general condition, financial condition, operational condition, industry financing condition of other banks and the collateral condition of the borrower and the guarantor. Such monitoring also focuses on assessing a borrower's ability to repay and any changes in the value of the collateral/pledge.

Risk Monitoring and Warning

We proactively inspect, identify and control potential and practical risks detrimental to the quality of our assets. Our risk management department regularly gathers and analyzes risk-related information and evaluates our overall risk condition. Customer managers of our risk management department carry out follow-up inspections for key customers and industries, as well as in certain high-risk situations. They also carry out on-site examinations, if necessary. Our risk management department is responsible for gathering all risk-related information with respect to borrowers and guarantors from various sources, including the borrowers and the guarantors themselves, regulators, industry reports, research and analysis reports, consulting companies and the media. We have established a risk warning and emergency protocol system under the management of each level of our branches so as to identify customers' warning signs promptly and timely activate an emergency plan during each phase of our various businesses should emergency situations arise. So doing will allow us to control and mitigate risks.

Loan Classification

Per the PBOC's and the CBRC's requests, we divide our outstanding loans into five categories based on the level of repayment risk, namely: "pass", "special mention", "substandard", "doubtful" and "loss". Substandard, doubtful and loss loans are regarded as non-performing loans. We regularly submit data about our loans to the PBOC and the CBRC. The main factors considered when dividing our outstanding loans are the borrower's ability to repay the loans, the borrower's repayment record, the borrower's willingness to repay the loans, the condition of the credit extension project, the status of the guarantees, the legal liability for the credit repayment and our risk management condition.

For details of the CBRC's provisions on loan classification, see "Supervision and Regulation – Loan Classification, Allowance and Write-offs – Loan Classification."

In order to satisfy regulatory requirements, we have established a loan classification system and policy. Our risk management department is primarily in charge of loan classification and also works with our marketing department, finance & accounting department, information and technology department and audit department. Generally, our marketing department will first categorize the loans based on the borrower's repayment record, their willingness to repay the loans, the condition of the credit project and the status of the guarantee. Our risk management department will then review the preliminary categorization and requests an authorized person to determine the results. We examine various kinds of loans at least quarterly and re-classify them as needed.

For our policies regarding allowance for impairment losses on loans, see "Description of our Assets and Liabilities—Assets—Loans and Advances to Customers—Allowance for Impairment Losses on loans and advances to customers."

Management and Recovery of Non-performing Loans

Based on the regulations of the CBRC, we classify loans at the sub-standard level or below as non-performing. Our special assets department at our head office is responsible for the recovery, management and disposal of non-performing loans. Our legal departments are responsible for legal inspections with respect to the disposal of non-performing loans.

Based on our "disposing timely, effectively and scientifically" principle, and with cash recovery being our primary goal, we have set up our specific tailored disposal proposal for each case according to their specific circumstances. The first step for us to recover the amount of the non-performing loan is to send a loan performance notice or visit the borrower and the guarantor and negotiate the loan collection plan with them. If we fail to recover the loan after taking these steps, we manage our non-performing assets through judicial recovery, assignment of the claim, debt payment in kind and write-off.

Judicial recovery: For loans which borrowers are unwilling to repay or where they are prone to transfer the assets, we will utilize litigation and arbitration, bankruptcy reorganization or winding up proceedings.

Assignment of the claim: For non-performing loans which are difficult to recover through other means within a short period of time, we will, in certain circumstances, consider recovering the loans via assignment of the claim in asset market.

Debt payment in kind: If a borrower has difficulties paying back the loan within a short period of time, we may request that they pay off the debt by property in kind.

Write-off: We write off non-performing loans which satisfy certain requirements.

Credit Risk Management for Loans to Local Government Financing Vehicles

We continuously enhance our risk management associated with loans to local government financing vehicles. We have adopted the following measures:

- We have established a local government financing vehicles risk management team with our Chairman as the team leader and our President as the deputy team leader. The purpose of this team is to improve and enhance the implementation of our risk management policies with respect to local government financing vehicles;
- All loans to local government financing vehicles are required to be approved by our head office;
- We strictly review the credit extensions. Loans to local government financing vehicles are required to satisfy the requirements of our basic credit business policy, as well as other specific regulations, such as the guidance on credit to local government vehicles; and
- We have set a limit for the ratio of our local government financing vehicles loans to our total loans, and we continuously monitor our compliance with this limit.

As of September 30, 2015, our cash flow coverage ratio for loans to local government financing vehicles exceeded 99%, and the proportions of our loans to local government financing vehicles at the provincial level, municipal level and lower level were 17.8%, 39.3% and 42.9%, respectively. As of the same date, 37.4% of our loans to local government financing vehicles were to financing vehicles in the water conservancy, environmental and public facilities management industries; 31.1% were to financing vehicles in the leasing and business services industries; 11.1% were to financing vehicles in the transportation, storage and postal services industries; 9.4% were to financing vehicles in the real estate industry; 6.6% were to financing vehicles in the public management and social security sectors, as well as to financing vehicles in social organizations; and 4.3% were to financing vehicles in the construction industry. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of our customer loans to local government financing vehicles was RMB12,878 million, RMB13,016 million, RMB15,859 million, and RMB22,919 million, respectively, representing 7.1%, 6.0%, 6.1% and 6.8% of our total loans, respectively. As of September 30, 2015, none of our loans to local government financing vehicles were considered to be non-performing.

Credit Risk Management for Real Estate Loans

To enhance our risk management with respect to real estate loans, we have adopted the following risk management policies and have engaged in the following risk management-related activities:

- We have established a credit extension policy specific to the real estate industry, adjusted our credit extension plans for the real estate industry in a timely manner, and enhanced our cooperation with large national real estate developers. In addition, we also selectively provide credit to leading regional real estate developers and enter into prudent cooperative arrangements with small and medium sized real estate developers;
- We have set up professional review and approval processes with respect to the granting of loans for real estate development;
- We have set credit limits for the loans we grant to customers in the real estate industry and ensure that such limits are flexible and adjusted in a timely manner, as needed; and
- We regularly conduct special stress tests on our loans granted to customers in the real estate industry.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of our real estate loans was RMB20,224 million, RMB25,348 million, RMB35,172 million and RMB38,387 million, respectively, accounting for 11.1%, 11.7%, 13.6% and 11.3% of our total loans, respectively. Real estate loans are mainly secured by collateral and pledges. As of December 31, 2012, 2013 and 2014 and September 30, 2015, real estate loans guaranteed by collateral and pledges accounted for 81.6%, 85.3%, 85.6% and 84.4%, respectively, of our total real estate loans. As of September 30, 2015, the non-performing loan ratio for our loans to customers in the real estate industry was 0.07%.

Credit Risk Management for Loans to Customers in Industries With Excess Production Capacity

The PRC State Council and the CBRC have issued policies to limit loans to customers in industries with "excess production capacity". In accordance with such policies, we strive to control the number of loans we provide to customers in these industries, as well as strengthen the management of the associated credit risk.

We impose credit limits for loans we issue to customers in industries with excess production capacity. We will continue to manage and control the number of loans we issue to customers in industries with excess production capacity, such as the steel, coal, shipbuilding industries. We will not extend credit to new businesses unless such businesses are industry leaders, are in compliance with national industry policies, have clear competitive advantages, meet current environmental protection standards and utilize industry leading technologies.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of our loans to customers in industries with excess production capacity was RMB5,595 million, RMB 6,078 million, RMB6,139 million and RMB5,840 million, respectively, accounting for 3.1%, 2.8%, 2.4% and 1.7% of our total loans and advances, respectively, and representing a decreasing proportion from year to year. As of the same date, our collateralized and pledged loans accounted for 40.3%, 47.1%, 50.1% and 49.2%, respectively. As of September 30, 2015, the balance of our non-performing loans to customers in industries with excess production capacity was RMB234 million, and the non-performing ratio for such loans was 4.0%.

Credit Risk Management for Small and Micro Enterprise Loans

We have been able to ensure the quality of our assets and further improve the level of our risk management by optimizing our management technologies and methods, which allows us to maintain a leading position in the small and micro enterprise business. We actively explore ways to improve our operating model and perfect our management system. We continue to organize and standardize various aspects of our credit process and requirements in order to develop our own unique credit model and strengthen our risk management. We control our percentage of overdue loans and amount of non-performing loans through classification methods, tracking and on/off-site monitoring.

Our key risk control and loan approval steps for small and micro enterprises are as follows:

- *Strengthening our selection of customers*: We insist on working with high-quality small and micro enterprise customers. For small and micro enterprise customers that have high credit facilities with other banks, work with multiple banks or commit external guarantees, we enforce restrictive criteria in order to mitigate any additional risks.
- *Pre-lending investigation*: Our risk managers and customer service managers carry out on-site investigations to ensure that risks are identified at an early stage. They focus on customers' "soft information", such as their character, via sidewise investigations in order to determine their willingness to repay loans. In addition, we recommend that our business personnel first evaluate any collateral on their own, which not only reduces the evaluation fee and saves time for the small and micro enterprises, while increasing the accuracy of the mortgage value;
- *Centralized review*: Our qualified branches have established professional risk management departments and credit auditing commissions to efficiently evaluate the businesses of small and micro enterprise;
- *Risk monitoring officers/supervisors' evaluation*: We have established our risk monitoring officer/supervisor dispatching policy. Our risk monitoring officers/supervisors are in charge of risk management at the branches and sub-branches where they are dispatched report to our head office/branches;
- *On-site and off-site post-lending monitoring*: We have developed a special follow-up management method, a long-term mechanism to prevent moral hazards associated with customer service managers in relation to their small and micro enterprise customers and an off-site monitoring mechanism; and
- *Electronic operation process*: All our credit application, verification and loan release processes can now be handled electronically. Parties authorized to grant approval are able

to operate and manage such processes through mobile terminals, which has helped strengthen our control of operational risks, improve our business efficiency and control our labor costs.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, according to our Bank's standard, our outstanding loans to small and micro enterprises totaled RMB47,347 million, RMB56,900 million, RMB66,981 million and RMB73,555 million, respectively, representing 26.0%, 26.2%, 25.9% and 21.7%, respectively, of our total outstanding loans. Our loans to small and micro enterprises grew at a CAGR of 18.9% from December 31, 2012 to December 31, 2014, and the percentages of our loans to small and micro enterprises which were collateralized or pledged as of December 31, 2012, 2013 and 2014 and September 30, 2015 were 80.0%, 84.7%, 88.8% and 90.4%, respectively. As of September 30, 2015, according to our Bank's standard, the balance of our non-performing loans to small and micro enterprises was RMB819 million, and the non-performing loan ratio for such loans was 1.11% .

Credit Risk Management for Personal Loans

The personal banking department of our Bank is responsible for risk control with respect to personal consumption loans and residential mortgage loans; and personal business loan business has been classified into small and micro enterprise business, and the small enterprise credit center is responsible for its risk control. Risk management departments at various levels are responsible for the overall risk management with respect to personal loans. Our branches and sub-branches set up their own management systems and implement rules based on a system framework authorized by our head office.

Loan Applications and Pre-lending Investigation

We require individual borrowers to complete application forms and provide certain information, such as their work and business operating experience, their sources of income and their credit records. We adopt a dual investigation procedure for personal loans, which is carried out by both a customer service manager and a risk manager. When evaluating the credit status of a borrower, we generally take into consideration the information obtained from various channels, including the PBOC's national individual credit database and the applicants' employers, which is in accordance with the relevant standards established by our head office. For loan applications secured by collateral or pledges, we first verify the value of the collateral according to our own evaluation methods. Upon completion of the evaluation, our business staff adopt quantitative and qualitative methods to evaluate the risks associated with the loan applications based on the borrowers' ability to repay the loans. They then issue investigation materials and submit relevant supporting documents to our personal loan approval officers.

For our personal loan business, we adopt the same approval procedures and risk control measures as we do for our small and micro enterprise business. We encourage to evaluate borrowers' collateral on our own. We also carry out a centralized review and loan granting process at our qualified branches, where judgment from risk monitoring officers/supervisors is required when necessary.

Credit Risk Management for Our Credit Card Business

We have established a credit card risk management system featuring prior-business risk prevention, on-going risk monitoring during the process and post business management. Our credit card department has formulated a series of rules and policies to standardize various business procedures, such as marketing and promotion procedures for credit cards and credit line approval procedures. To manage risks with respect to our credit card business, we have established a credit card control center, a risk management center and a assets preservation center under our credit card department to conduct prior business, in-process and post business management with respect to credit cards, respectively. Such centers are fully responsible for the design and operation of the process for card issuance business, determination and control of our overall business risk tolerance, as well as the risk monitoring, assessment, control, mitigation and recovery during and after the grant of a loan.

Credit Risk Management for Treasury Business

Our treasury business comprises money market business, investments in bonds and other financial assets, foreign exchange and derivatives trading business and treasury business conducted on behalf of customers. The credit risk which our treasury business is exposed to is concentrated in our bond investment business and inter-bank business. Treasury business involving credit extensions must be included in our unified credit extension management system, among which credit extension to corporate customers is reviewed by the credit assessment department and approved by the credit review committee in our head office, while credit extension to inter-bank customers is reviewed by the financial market risk management department and approved by the investment and transaction review committee in our head office. When conducting our treasury business, we will draw up the customer's credit lines in accordance with the relevant policies, to achieve centralized risk management.

Credit Risk Management with respect to Bond Investment Business

Our bond investment business primarily comprises investments in bonds issued by the PRC government, policy bank bonds, bills issued by the PBOC and certain credit bonds with high ratings. We manage the risks in our bond investment business through access criteria, credit limit control and credit extension risk assessment, and must include the bond issuers into our unified credit extension management system. For government related bonds such as bonds issued by the PRC government, policy bank bonds and bills issued by the PBOC, we implement an automatic credit extension policy. Investments in other credit bonds would take up the credit lines of the underlying issuers based on the actual balance of the underlying bonds. For certain bond investments that satisfy certain criteria, the approval process can be simplified.

With respect to the post investment risk management, the credit risk of the invested bonds is tracked and monitored together by employees in the front office and employees in relevant risk management departments. In addition, the relevant risk management departments will also re-evaluate the credit risk of the invested bonds regularly.

Credit Risk Management for Inter-bank Business

Our head office comprehensively manages our inter-bank business and assigns credit risk management related to inter-bank business under our centralized credit extension management. Currently, our inter-bank business primarily consists of inter-bank financing business and inter-bank investment business. The credit extensions in our inter-bank financing business mainly involve inter-bank placement/lending, deposits in other banks and financial institutions and assets purchased under resale agreements. The credit extensions in our inter-bank investment business mainly involve investments with our own funds or proceeds from our wealth management products, in inter-bank financial assets, including trust investment plans, asset management plans of securities companies, and wealth management products issued by other commercial banks.

With respect to credit extension policies of our inter-bank investment business, we have established specific access criteria to select our counterparties based upon factors such as asset size, operation and management capabilities, profitability, business structure and risk-bearing capabilities, to design tailored credit extension policies. We have classified our inter-bank customers into three categories: high credit inter-bank customers, recognized inter-bank customers and other inter-bank customers. We prioritize cooperation with high credit and recognized inter-bank customers. In addition, we have strengthened our cooperative relationships with city commercial banks with large asset size and sound operations located in large and medium-sized cities, as well as with rural commercial banks located in relatively developed regions (including rural credit cooperatives and rural cooperative banks) with sound financial condition, large asset size and strong government support. We also selectively work with non-bank financial institutions such as securities firms, trust companies, insurance companies and fund management companies, and work with small-sized financial institutions prudently.

To manage risks in a prudent manner, we manage the credit risk in our inter-bank investment business in the same way regardless of the source of funds (i.e. our own funds or proceeds from our wealth management products). For such inter-bank investment business, we require to conduct thorough due diligence and feasibility study on the underlying project and the actual bearer of credit risk, including their shareholding structure, financial condition, non-financial factors, other financing arrangements, guarantor and form of guarantee, the financing proposal, and relevant risk management measures. The financial market risk management department of our head office will analyze the project feasibility study and propose risk management measures, and then submit to the investment and transaction review committee for assessment and finally submit to an authorized person for approval.

The risk classification and life-time management of the inter-bank business are consistent with those for corporate loans. During the life-time of such business, we are required to dynamically monitor and track the operating conditions of the actual bearer of credit risks, and other factors that could affect their ability to honor their contractual liabilities, so as to take timely and effective actions against early risk warnings.

Credit Risk Management for Off-balance Sheet Businesses

We categorize our off-balance sheet businesses based on whether or not we will be required to bear any credit risk in respect of such businesses. As for businesses for which we do not bear any credit risk, such as entrusted loans, we treat them as intermediary businesses or manage them in accordance with relevant procedures. For businesses where we bear credit risks, such as loan commitments, letters of guarantee and letters of credit issued by us, we implement unified credit extension management on them under the principle of substance over form. We carry out investigations and reviews and formulate plans for the granting of credit lines to customers and end-users as if they were ordinary customers. We also review the business structures for such customers and end-users in detail.

Information Technology System for Credit Risk Management

The risk management IT system currently adopted by us primarily comprises our credit extension management system. Our credit extension system performs reviews, grants and approval of credit extension and handles post-lending management. It also provides full-process management before, during and after a loan is granted, and can be used to track, count and analyze our credit extension businesses. Our customer rating model is also included in our credit extension management system. This system itself is one of our main sources of original data regarding our clients.

MARKET RISK MANAGEMENT

Market risk refers to the adverse effect that normal or specific changes in interest rates, foreign exchange rates, commodity prices or stock prices may have on products involving interest rates, currencies and stocks. The market risk which we are exposed to includes the risk that the fair values of financial instruments or future cash flows held by us may fluctuate as a result of price volatility.

Our market risk mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk that we may suffer a loss as a result of adverse movements in benchmark interest rates or market interest rates. Exchange rate risk is the risk that we may suffer a loss as a result adverse changes in exchange rates. Our market risk management aims to manage and monitor market risk, keep the potential losses associated with market risk within an acceptable level and maximize our risk-adjusted returns. In accordance with the "Guidelines on Market Risk Management of Commercial Banks" (《商業銀行市場風險管理指引》) promulgated by the CBRC on December 29, 2004, we have established a market risk management system and have formulated market risk management policies and procedures applicable to our business nature, scale, complexity and risk features. We maintain such policies and procedures in accordance with our overall business development strategy, management capabilities and capital strength. Set forth below is a summary of the roles and responsibilities of our departments involved in the management of market risks:

(a) the President of our head office, as authorized by the Board, is the chief decision maker with respect to market risks;

(b) the risk management committee is responsible for organizing, coordinating and managing various risks;

(c) the asset and liability management committee is responsible for determining and approving key strategies including the adjustment of the Bank's assets and liabilities structure and contingency plans;

(d) the risk management department is responsible for promoting our overall risk management, including market risk management;

(e) the asset and liability management department is the leading department for the implementation of market risk management;

(f) the financial markets department is responsible for the implementation of market risk management in the Bank's trading business;

(g) the financial market risk management department is the executive department of market risk management with respect to transaction accounts;

(h) the audit department is responsible for conducting internal audit on the accuracy, reliability, sufficiency and effectiveness of each component of the market risk management system, and reporting on such internal audit and rectification to the President and the Board in a timely manner. The scope of audit includes departments responsible for business operations and market risk management; and

(i) other business departments at the head office, branch and sub-branch levels are mainly responsible for the implementation of relevant requirements of market risk management to ensure that business innovation and expansion are in compliance with requirements of market risk management and assist to provide the basic data necessary for market risk management and report market risk events on a timely basis.

We mainly manage our market risk through personnel management, credit limit controls, hedging and reducing our exposure to risk. In addition, we have put in place a basic system for market risk management and have formulated implementation rules for market risk management.

Market Risk Management for Our Bank Accounts

Currency Risk Management

Our main operations are within the territory of the PRC and our principal businesses are settled in RMB. However, we are still exposed to currency risk in connection with foreign currency denominated assets and liabilities already recognized by us and future transactions denominated in foreign currencies. Currency risk refers to the risk that our current position with respect to foreign exchange exposure and our future cash flows will be affected as a result of fluctuations in major foreign exchange rates.

Our key principle for controlling currency risk is to match assets and liabilities with different currencies and to keep currency risks within certain specified limits. Based on the guidelines provided by our risk management committee, relevant laws and regulations as well as our evaluations of the current market, we set our risk limits and minimize the possibility of a mismatch through reasonable allocation of foreign currency sources and proper usage of foreign currency. We monitor our foreign exchange exposure on a daily basis and set transaction limits, such as foreign exchange exposure limits, risk limits and stop-loss limits.

Interest Rate Risk Management

The interest rate risk to which we are exposed mainly refers to the risk that our net interest income and the fair value of our financial instruments may decrease due to adverse changes that may occur with respect to market interest rates. Such changes could also result in a decrease in the fair value of our interest rate risk exposure.

Due to the volatility of interest rates in the market, our interest rate spread may be widened. However, it may also be narrowed, and we may incur losses due to unexpected changes. We operate businesses in the PRC under the interest rate system prescribed by the PBOC. Based on historical experience, the central bank will generally make adjustments to the benchmark interest rates for interest-bearing loans and interest-earning deposits in the same direction. However the level of adjustment may not be the same.

We assess our interest rate risk mainly through sensitivity analysis where we regularly calculate the difference, or gap, between interest-earning assets and interest-bearing liabilities with maturity dates within a certain period of time or in need of re-pricing. We carry out such sensitivity analysis under benchmark interest rates and market interest rates based on interest rate sensitivity gap, and evaluate the effect of the changes in interest rates on our net interest income and net assets. Based on our judgment with respect to benchmark and market interest rate trends, we actively adjust the interest rate sensitivity gap between our assets and liabilities, mainly by adjusting and controlling the loan re-pricing period and the terms of our investments in bonds. At the same time, we closely follow interest rate trends with respect to domestic and foreign currencies and the changes in market interest rates in order to analyze different situations, adjust our interest rate pricing method for our domestic and foreign currency deposits and loans in a timely manner and mitigate interest rate risks.

Market Risk Management for the Trading Accounts

The market risk for our trading accounts arises primarily from changes in the asset value of financial products in our trading accounts, which are affected by market interest rates and exchange rates. We evaluate the positions of our trading accounts on a daily basis, continuously monitor trading limits, stop-loss limits and risk limits, and regularly measure the market risk for our trading accounts through stress testing and other methods.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of failure to obtain adequate funds to repay debts in time or at reasonable cost, and it is mainly influenced by external factors such as domestic and foreign financial conditions, macroeconomic policies, the vertical and horizontal development of financial markets and the competition outlook of the banking industry. It is also influenced by internal factors such as the maturities of assets and liabilities, business structures, the stability of deposits, the ability to obtain financing in the market and various unexpected events. We adhere to a principle of prudent management of our liquidity risk and strictly comply with regulatory requirements in order to establish a prompt, reasonable and effective liquidity risk management system, create coherence with respect to the safety, liquidity and effectiveness of our capital operations and achieve continuous, healthy and stable operations.

We manage our liquidity risk in a centralized manner. The asset and liability management department at our head office is the lead department for our liquidity risk management and coordinates with other committees, such as our risk management committee and asset and liability management committee, to manage our liquidity risk.

We are in compliance with the relevant guidelines issued by the CBRC with respect to liquidity risk management, including the Notice on Further Strengthening the Supervision of Liquidity Risk of Commercial Banks (《關於進一步加強商業銀行流動性風險管理的通知》) and the Rules Governing Liquidity Risk Management of Commercial Banks (Provisional) (《商業銀行流動性風險管理辦法(試行)》). See "Supervision and Regulation—Risk Management—Liquidity Risk Management."

Our key management measures for liquidity risk include:

- Paying close attention to both domestic and foreign economic and financial market trends; actively analyzing the effects of macroeconomic policies and changes in the development of financial markets on our liquidity management; adjusting our assets and liabilities management strategy in a timely manner and continuously optimizing the structure and terms of our liabilities.
- Enhancing management of our financing channels; actively maintaining relationships with major financing counterparties; diversifying our financing sources and further optimizing our financing structure.
- Assessing cautiously the effect of credit risk, market risk, operational risk, reputational risk and other types of risk on our liquidity risk and establishing effective liquidity alert mechanisms and contingency plans to ensure liquidity in times of emergencies.

- Carrying out stress tests for liquidity risk on a regular basis and adjusting our operating policies for relevant businesses based on the results of the stress tests when appropriate in order to avoid accidental risk events; carrying out regular and unscheduled rehearsals of contingency plans for liquidity risk; increasing our efforts with respect to liquidity alert monitoring and management; constantly improving our alert mechanism for liquidity risk; and adjusting our liquidity reserve to promptly mitigate liquidity risk.

We have formulated the China Zheshang Bank Management Measures for Renminbi Positions (《浙商銀行系統內人民幣頭寸管理辦法》). According to such measures, the position management department at each of our branches and sub-branches is required to arrange specific personnel to monitor the management of Renminbi positions on a daily basis, establish a position reporting system to report on high-value positions in advance and utilize a net debt settlement limit as part of its management. We have also formulated a liquidity risk contingency plan. We seek to adopt appropriate contingency measures based on the level of liquidity risks. To meet short-term liquidity needs, we generally utilize our high quality liquid assets reserves, such as bonds issued by the PRC government, policy bank bonds and other high rating credit bonds, and initiate relevant fund allocation procedures to bring the liquidity indicators to an appropriate level. Under extreme circumstances where we may encounter substantial short-term liability demand (e.g. significant withdrawal of customer deposits), we will timely review the potential impact to determine appropriate measures, including control or suspension of certain businesses and disposal of certain assets, such as the high quality liquid assets, to maintain sufficient liquidity support. As of September 30, 2015, our liquidity ratio, one of our primary short-term liquidity indicators, reached 50.32%, which is much higher than the regulatory requirement of 25% set by the CBRC.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to the risk of losses that may be incurred due to inadequate or problematic internal procedures, personnel or information technology systems, as well as external events.

As authorized by our Board of Directors, our President is our chief decision maker with respect to our operational risk management, and our President of our head office, our risk management committee, the presidents of our branches and sub-branches and our risk management departments, management departments and business departments at various levels, jointly constitute our operational risk management system. We achieve network control over operational risks through our authorization system, network system, balance mechanism, reporting mechanism and supervision mechanism. In terms of management systems, we have established basic systems, such as our China Zheshang Bank Basic Management System for Operational Risks (2015 version) (《浙商銀行操作風險管理基本制度（2015年版）》) and China Zheshang Bank Management Measures for Information Technology Risks (Provisional) (《浙商銀行信息科技風險管理辦法（試行）》), for the purpose of effectively identifying, assessing, monitoring, controlling and mitigating our operational risk, which in turn allows us to reduce our losses arising from operational risk.

Our measures for managing our operational risks mainly include:

- Optimizing our examination mechanism with economic capital management at its core, and quantifying our economic capital measurement for operational risks to a reasonable extent;

- Organizing and convening regular meetings on internal control compliance on a quarterly basis in order to report on operational risks, discuss and analyze the major problems identified, the issues to be solved and management and control measures for such problems and issues, and put in place measures for internal control compliance;
- Establishing and improving our risk management system for various operational mechanisms, strictly separating the responsibilities of our front, middle and back offices, and optimizing our business and risk management procedures;
- Organizing the rules and regulations for each business line and the management procedures for major events, and improving the effectiveness of such rules and procedures;
- Enhancing our management of information technology risks, improving our systematic management, standardizing our emergency response and disposal procedures, strengthening our system performance monitoring and risk threshold warnings and reducing our system operation risk;
- Strengthening our supervision with respect to audits, internal controls and the examination of our business lines, and focusing on the examination and supervision of newly established institutions, weak portions of our risk control measures and major problems existing in our operational management through a combination of various examination methods; and
- Adhering to the goal of "Regulating operating procedures and maintaining risks at an acceptable level in order to realize comprehensive profit maximization after risk adjustments", guided by the idea of litigation and operational risk prevention and incorporating the requirement of various business lines internal control and litigation prevention into operating processes. Such processes include the system designs, process management, career qualification certification, job responsibilities specification, performance regulation, supervision and examination and non-compliance punishment. This improves our internal control and litigation prevention.

INFORMATION TECHNOLOGY RISK MANAGEMENT

Information technology risk refers to operational, reputational, legal and other risks caused by natural factors, human factors, technical limitations and management loopholes in the course of our usage of information technology. The objectives of our information technology risk management are to identify, monitor, assess and control information technology risks by establishing a complete, reasonable and effective mechanism for information technology risk management, so as to operate our business in a safe, sustainable and stable environment, and, at the same time, promote our business innovation with respect to advanced information technology and enhance our core competitiveness and sustainability. We have established an information technology management committee and business continuity management committee at our head office to supervise and guide our information technology-related work. Information technology risk has been included in our comprehensive risk management, and our information and technology department is responsible for implementing any specific risk management policies, plans and programs.

Our key information technology risk management measures mainly include:

- Establishing an organizational structure for information technology risk management. This structure comprises our Board of Directors, senior management, business continuity management committee, information technology management committee, risk management committee and information and technology department, as well as the relevant business departments, risk management departments, audit departments and branches. We have established three lines of defense to prevent and control information technology risk. The first line of defense is our information and technology department and the relevant business departments; the second line of defense is our risk management department and the risk monitoring officers assigned by our head office to the information and technology department; and the third line of defense is the audit department at our head office;

- Establishing a comparatively sound information technology risk management system and procedures. Relevant systems, procedures and detailed implementation rules have also been established in a comprehensive manner under the ISO27001 management system and regulatory requirements;
- Establishing our business continuity management system. We have been continuously improving our ability to maintain business continuity by establishing our business continuity organization and contingency management organization and command system, clearly defining our business continuity management strategies and working tactics, implementing the development of a contingency and disaster backup infrastructure and emergency support capabilities, improving working mechanisms such as our business continuity impact analysis, business continuity programs, business contingency plans and contingency response mechanisms, carrying out necessary contingency rehearsals and enhancing our emergency support capabilities;
- Establishing our risk management system for information technology outsourcing. We have effectively prevented and avoided the risks arising from information technology outsourcing by establishing an outsourcing management organizational framework, defining the responsibilities relating to outsourcing management, developing principles and strategies for outsourcing management and standardizing our management process in relation to our outsourcing projects and risk management mechanisms;
- Establishing a comparatively sound information security management system. We have effectively strengthened the ability of our information system to prevent online intrusion, attacks, data leakage and third-party tampering by standardizing our information security management organizational structure, improving our information security technology prevention and control system and its security management and control measures, and continuously enhancing our security management with respect to application software through its lifecycle;
- Establishing a relatively standardized information technology risk monitoring and assessment mechanism. Our operation monitoring system has been established collectively by our business lines, competent business administration departments, information and technology departments and risk management departments. We have also established a 24/7 early warning system and a shift system to promptly handle problems and implement recovery measures. We carry out periodic internal and external information technology risk assessments, and retain external information security organizations for security testing and assessments in order to identify and explore potential risks in a timely manner. By doing so, we have improved the reliability and risk resistance capacity of our system;

- Completing the design of our disaster backup infrastructure in "three centers in two different cities". In the building where our head office is located, a head office production data room has been designed and built pursuant to the Grade-A national criteria for data rooms, and a new high-level production data room is being designed and constructed as part of Hangzhou Qianjiang New Town. In Hangzhou, an application-level intra-city disaster recovery center has been constructed for our important information system. In Ningbo, an intercity data-level disaster recovery center has also been constructed, with disaster recovery center information switching rehearsals carried out every year. In addition, the construction of a higher-standard, intercity, application-level disaster recovery center is currently being planned.

REPUTATIONAL RISK MANAGEMENT

Reputational risk refers to the risk that a stakeholder will have a negative view of us as a result of our operations, management and other activities, as well as external events. Our objective with respect to reputational risk management is to effectively respond to news relating to us, as well as public opinion of us and our relationships with other parties, including clients. We take efforts to mitigate reputational risk and resolve issues which have a negative effect on our reputation, as well as that of the public and any parties with whom we associate.

The president at our head office, risk management committee, executive office, risk management department, information and technology department and other relevant departments at our head office, together with our branches and sub-branches, jointly constitute our core organizational system with respect to reputational risk management. As authorized by our Board of Directors, the president at our head office is responsible for promoting the strategies, policies and decisions of our Board of Directors. The president is also responsible for formulating and implementing our basic policies and systems for reputational risk management. The risk management committee at our head office, led by the president of our head office, is responsible for organizing and coordinating our daily risk management efforts, including those relating to reputational risk. The executive office at our head office is in charge of managing our reputational risk management on a daily basis. The information and technology department at our head office provides technical support with respect to reputational risk management.

Our key measures for managing reputational risk include:

- Establishing basic reputational risk management policies and dividing management responsibilities with respect to reputational risk management;
- Formulating and implementing reputational risk management training programs;
- Enhancing our management capabilities at the source, increasing staff performances levels so as to reduce the occurrence of events that may have a negative impact on us;
- Monitoring, studying and judging the public opinion, identifying and investigating reputational risks, and regularly analyzing the causes and transmission channels for reputational risks and related events;
- Implementing a public opinion reporting mechanism, categorizing events which can affect our reputation and grading and categorizing public opinion data;
- Publishing information and clarifying false or incomplete information in a consistent manner; and

- Formulating contingency plans, organizing exercises and specifying the procedures and reporting mechanism for dealing with reputational risks.

COMPLIANCE AND LEGAL RISK MANAGEMENT

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure of a commercial bank to comply with laws, regulations, rules and relevant industrial standards. Our objectives with respect to compliance risk management are to establish a sound compliance risk management framework and promote the development of a comprehensive risk management system which will enable us to operate in a lawful and compliant manner.

We adhere to a principle we refer to as "Senior Management to Comply First" and have integrated compliance risk into our comprehensive risk management system. We have established a management organization structure comprising the President of our head office, the risk management committee at our head office, the presidents of our branches and the compliance management departments and other management departments and business departments at various different levels. We have established three lines of defense for our compliance risk management and a dual-track matrix reporting mechanism. We strive to achieve effective control over compliance risk through continuously improving and optimizing our operating mechanism and management procedures.

We carry out compliance risk management mainly through the following measures:

- Rules and systems management. We pay continuous attention to the latest developments relating to the laws, rules and standards affecting our business operations. We strive to accurately interpret the requirements and intentions of such laws, rules and standards, correctly estimate their effects on our operations and ensure that they are implemented and enforced.
- Compliance training and education. We proactively provide compliance training, education and compliance consultation to our staff.
- Identification, monitoring and control of compliance risks. We monitor and assess compliance risks, regularly summarize and analyze compliance risk information and factors relevant to us and formulate risk mitigation and control measures. We formulate compliance risk management plans and specify our objectives with respect to compliance risk management in order to systemically improve our level of compliance risk management. We regularly convene internal control compliance meetings and fully utilize our internal control compliance managers to enhance our control over compliance risk.
- Cultivation of a culture of compliance. We actively advocate compliance with all relevant regulations and promote the cultivation of a compliance-centered culture. We conduct compliance risk alarm and case analyses based on current issues in our industry, the regulatory focus and our key business endeavors. We provide targeted guidance to branches to help them enhance their prevention and control of legal and compliance risks. We carry out compliance examinations and training, urge branches to further the cultivation of a compliance-centered culture and work to standardize our compliance management.
- Compliance accountability. We have established and seek to continuously improve our compliance accountability system. We also strive to promptly identify and thoroughly investigate any acts of non-compliance.

- Honest reporting. We have implemented an honest reporting system. We ensure the confidentiality and protection of reporters, and encourage our staff to actively report any non-compliance issues and take great efforts to preserve the anonymity of reporters.

Legal risk refer to the risk of legal liability that a commercial bank may assume due to violation of laws and regulations or breaches of contracts. Our internal control & compliance & legal affairs department is responsible managing our legal affairs, preparing and reviewing contracts and other legal documents, providing management and guidance with respect to both non-contentious legal issues and litigation relating to our business (other than our credit business), registering and managing trademarks, organizing internal legal training and providing guidance with respect to legal affairs management at the branch level.

We control litigation risk mainly through the following methods: we have implemented a hierarchical system for authorizing and managing litigation. For cases within our branches' scope of authorization and where we act as plaintiff, the compliance management department at the relevant branch is required to apply for litigation approval and filing through our office management system prior to commencing such litigation. It is then required to file the litigation with our head office after obtaining approval from the relevant branch. For litigation cases beyond our branches' scope of authorization, the compliance management department at the relevant branch is required to apply for litigation approval and filing through our office management system, provide relevant litigation materials and report such litigation level-by-level in order to obtain approval from our head office. For cases where we act as defendant, in addition to applying for litigation approval and filing, the relevant branch or sub-branch is also required to report to its supervisor branch or the head office in accordance with our China Zheshang Bank Major Events Reporting System (《浙商銀行重大事項報告制度》).

Anti-Money Laundering Management

We have formulated comprehensive anti-money laundering policies and procedures in accordance with the PRC Anti-Money Laundering Law and other applicable laws and regulations promulgated by the PBOC.

- In terms of our organizational structure, we have established anti-money laundering steering groups at our head office and branches, and their members include all of the departments at our head office and branches. The group is led by our internal control & compliance & legal affairs department, which is responsible for handling anti-money laundering related matters. The members of the anti-money laundering steering group at our head office have all established anti-money laundering posts, and such posts are generally held by compliance managers who are responsible for anti-money laundering related matters in their respective departments or lines of business.
- In terms of our management systems, we have formulated the China Zheshang Bank Anti-money Laundering Administrative Measures (2014 Edition) (《浙商銀行反洗錢工作管理辦法（2014版）》) and the China Zheshang Bank Administrative Measures for the Rating and Categorization of Customers' Money Laundering Risks (《浙商銀行客戶洗錢風險等級分類管理辦法》).
- We carry out our anti-money laundering work under the principles of "full compliance, anti-risk, full participation and efficiency". We have established and optimized our risk management framework with respect to anti-money laundering compliance in accordance with the regulatory requirements for anti-money laundering and our business development

strategy. By so doing, we are able to effectively identify, assess, monitor, control, prevent and report money laundering risks.

- We proactively carry out customer identity verification, maintain copies of customers' identification and transaction records and formulate operational requirements for customer identity verification and information and record keeping.
- We proactively assess our customers' money laundering-related risks and have established control measures. We have established an anti-money laundering risk assessment system that covers our customers, our products and businesses, the locations of our business and the industries in which we operate. We also have clearly defined measures which shield us from activities that potentially involve terrorist-financing.
- We have proactively implemented identification and reporting measures for large and suspicious transactions, established reporting standards and reporting procedures and enhanced our surveillance efforts with respect to suspicious transactions.
- We have proactively organized trainings and conducted inspections relating to our anti-money laundering measures. We also have clearly defined responsibilities and disciplinary procedures relating to anti-money laundering.

RISK OF ECONOMIC SANCTIONS VIOLATION AND THE RELEVANT LEGAL REGIMES

The United States, the European Union (the "EU"), the United Nations (the "UN") and other jurisdictions administer a range of economic sanctions designed to further their foreign policy goals. Such sanctions include broad comprehensive embargoes on a number of countries and regions, including Iran, Sudan and Syria (collectively, "Sanctioned Countries") as well as more targeted restrictive measures against certain listed persons and entities ("Sanctioned Persons"). Many of such Sanctioned Persons are associated with or located in countries such as Belarus, Cote d'Ivoire, Libya, Myanmar and Zimbabwe. U.S. and EU sanctions do not seek to prevent all trade or business with such countries, but rather, only business that involves Sanctioned Persons.

The primary U.S. list of Sanctioned Persons is the list of Specially Designated Nationals and Blocked Persons (the "SDN List") administered by the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC"). "U.S. persons" (including U.S. citizens and permanent residents, companies organized in the U.S. and any persons located in the U.S.) are generally prohibited from engaging in any transaction or dealing with persons designated on the SDN List or on other more limited lists of designated persons administered by OFAC (collectively, "Blocked Persons"), entities owned 50% or more by Blocked Persons or persons located in Sanctioned Countries. The U.S. also administers so-called "secondary sanctions" under which the U.S. government is authorized to sanction non-US persons who engage in certain disfavored activities, including significant transactions in the Iranian energy sector and providing significant support for certain designated Iranian Blocked Persons and banks. The range of activities and number of persons subject to such secondary sanctions were significantly reduced on January 16, 2016 upon implementation of the Joint Comprehensive Plan of Action ("JCPOA") between the so-called P5 + 1 (China, France, Germany, Russia, the United Kingdom, and the United States), the European Union and Iran ("Implementation Day").

The primary EU list of Sanctioned Persons is the Consolidated List of Persons, Groups and Entities Subject to EU Financial Sanctions. "EU persons" (including EU nationals, companies organized in EU member states and persons located in the territory of the EU) are prohibited from making funds or economic resources available to persons designated on such list. Unlike the U.S., the EU does not impose general prohibitions on payments to or from Sanctioned Countries, provided the funds are not assets of, or made available to, Sanctioned Persons. Prior to Implementation Day, the EU imposed pre-notification or pre-authorization requirements for payments to or from Iranian banks or Iranian persons, but such restrictions only applied to EU banks or, if no EU bank is involved, EU persons. Such restrictions are no longer in effect.

The UN also imposes asset-freezing measures on individuals and entities designated on the Consolidated United Nations Security Council Sanctions List, including persons located in Cote d'Ivoire, Iran, Libya, Sudan and Syria. The UN does not impose broad comprehensive embargoes on any Sanctioned Countries or general prohibitions on payments to or from Sanctioned Countries. The UN imposes sanctions through UN Security Council resolutions addressed to UN Member States, and such UN Member States are required under the UN Charter to give effect to the provisions of the resolutions. The manner in which resolutions are given effect in a particular jurisdiction depends on the constitutional position of that jurisdiction.

Most international payments processed through the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") system that are denominated in U.S. dollars are cleared through correspondent banks located in the United States. Because such correspondent banks are U.S. persons, they are generally prohibited from clearing payments involving persons located in Sanctioned Countries, and are required to block (or freeze) funds in which any SDN has an interest. U.S. banks that clear international payments are required to screen the information in SWIFT instructions, and must reject payments involving persons in Sanctioned Countries and block funds in which an SDN has an interest. U.S. regulatory authorities have brought enforcement actions in recent years against non-U.S. banks alleging deceptive practices, including stripping information from U.S. dollar payment instructions to conceal the involvement of Sanctioned Countries and/or SDNs in order to clear the U.S. correspondent bank's sanctions screening software, thereby causing a violation of U.S. sanctions.

OUR CUSTOMERS' TRANSACTIONS INVOLVING SANCTIONED COUNTRIES

During the Track Record Period, a very small number of our customers were involved in commercial transactions involving counterparties located in Sanctioned Countries, such as Iran, Sudan and Syria, and in countries with a higher risk of the presence of Sanctioned Persons, such as Belarus, Cote d'Ivoire, Libya, Myanmar and Zimbabwe. We processed a small number of remittances for our customers in connection with such commercial transactions but did not engage directly in any business activities in any such countries.

Inbound and Outbound Commercial Remittances

During the Track Record Period, a small number of our customers were engaged in commercial transactions with counterparties located in Myanmar, Iran, Sudan, Syria, Belarus, Cote d'Ivoire, Libya and Zimbabwe, pursuant to which our customers provided goods and services to, or (in the case of one customer discussed below) purchased goods from, these counterparties. Payments for the majority of these transactions were denominated in Euros or U.S. dollars and were remitted to or from our customers' accounts with us. We received or initiated such payments through the SWIFT system. To our knowledge, no such payments involved Sanctioned Persons. Where denominated in U.S. dollars, such payments were cleared through a U.S. correspondent bank, and the relevant identifying information was subject to such bank's sanctions screening procedures.

During the Track Record Period, we processed a small number of inbound remittances from Sanctioned Countries with respect to commercial transactions entered into by our customers. During the same period, we also processed a very small number of outbound remittances in U.S. dollars relating to the import of agricultural products for pharmaceutical use. Such remittances were made by one of our customers to a receiving bank located in Qatar for the benefit of a counterparty operating from Sudan who was not a Sanctioned Person. We have not provided services to this customer in relation to any outbound remittance since early 2014.

We charge a remittance fee for outbound remittances based on a percentage of the amount remitted, but we typically do not charge fees for receiving inbound remittances and therefore received only *de minimis* income for receiving inbound remittances. No fees were received during the Track Record Period in connection with remittances from payers in Sanctioned Countries. The fees we derived from outbound remittance transactions described above accounted for less than 0.001% of our total operating income during that period.

For inbound remittances denominated in Euros received by our customers, based on our counsel's view (which in turn is based on information we provided), we believe that, since (i) neither the EU nor the UN generally prohibits payments from Sanctioned Countries; and (ii) no EU persons were involved in our receipt of such payments; (a) there is effectively no risk of enforcement of sanctions by the EU or the UN as a result of our customers receiving payments denominated in Euros from counterparties located in Sanctioned Countries; and (b) there is no sanctions violation risk to our shareholders, potential investors in our H Shares, the Hong Kong Stock Exchange, the Listing Committee of the Hong Kong Stock Exchange, HKSCC or HKSCC Nominees (the "Relevant Persons").

For inbound remittances denominated in U.S. dollars received by our customers, after consulting with our legal advisers (whose views are based on information provided by us), we believe that, since (i) the payment instructions cleared the U.S. correspondent bank's screening procedures for Sanctioned Persons; (ii) no U.S. persons within our Bank were involved in our receipt of such payments and we do not operate any bank branch or subsidiary licensed or chartered in the U.S.; (iii) we did not take any steps to withhold or conceal from the U.S. correspondent bank any information about the location or identity of the payers; and (iv) we derived no fee income from such transactions involving payments from Sanctioned Countries during the Track Record Period, (a) the risk of enforcement of sanctions by the U.S. as a result of our customers receiving payments in U.S. dollars from counterparties located in certain Sanctioned Countries is remote and immaterial; (b) there is effectively no risk of enforcement of sanctions by the EU or the UN as a result of such transactions; and (c) there is no risk of sanctions violations for the Relevant Persons.

For outbound remittances denominated in U.S. dollars made by our customer to an account in Qatar for the benefit of a counterparty operating from Sudan, after consulting with our legal advisers (whose views are based on information provided by us), we believe that, since (i) we did not take any steps to conceal from the U.S. correspondent bank any information about the location or identity of the payee—we provided all information required for the relevant SWIFT instructions, did not cause anyone to delete any information from such instructions and had no knowledge of anyone else withholding or deleting relevant information in connection with such outbound remittances; (ii) our customer instructed us to process the payment to an account in Qatar, and, as far as we are aware, the use of such account was not an attempt to circumvent the U.S. correspondent bank's screening system; (iii) the payee was not a Sanctioned Person; (iv) no U.S. persons were involved in our processing of such payments, and we do not operate any bank branch or subsidiary licensed or chartered in the U.S.; (v) the payments related to trade in agricultural products, which is typically permitted or subject to a favorable licensing policy under sanctions; and (vi) there were very few of such transactions during the Track Record Period and the fee income derived from such transactions was *de minimis* in proportion to our total fee income, (a) the risk of enforcement of sanctions by the U.S. as a result of our customer initiating payments in U.S. dollars to counterparties located in Sudan is low; (b) there is effectively no risk of enforcement by the EU or the UN as a result of such transactions; and (c) there is no risk of sanctions violations for the Relevant Persons.

Banking Services Provided to A State-owned Enterprise Engaged in the Import of Crude Oil

Since June 2013, we have provided a range of banking services to a PRC state-owned enterprise engaged in the import of crude oil from a number of countries, including Iran ("the customer"). The services we provided include remittances in foreign currencies, loans and foreign exchange transactions. Payments related to the import of oil were made to two counterparties registered in Hong Kong and the Cayman Islands and no payments were made to counterparties located in Iran or to Iranian banks. The remittances were denominated in U.S. dollars, but were cleared onshore through the PBOC and not through a U.S. correspondent bank. In 2012, 2013, 2014 and the nine months ended September 30, 2015, we derived revenue from this customer of RMB0.6 million, RMB0.9 million, RMB1.0 million and RMB2.5 million, respectively, which accounted for 0.006%, 0.007%, 0.006% and 0.01%, respectively, of our total operating income during the same periods.

In January 2012, the U.S. State Department imposed penalties under U.S. secondary sanctions against the customer, pursuant to which it was barred from receiving U.S. export licenses, U.S. Export Import Bank financing and loans over $10 million from U.S. financial institutions. These penalties were based on the U.S. State Department's determination that the customer had brokered the delivery of gasoline to Iran. However, unlike an SDN designation, such penalties did not prohibit U.S. persons from dealing with, or providing goods or services to, the customer (other than the specific prohibition on loans by U.S. banks). On Implementation Day, such penalties against the customer were lifted.

In June 2012, the U.S. State Department issued an exemption for PRC banks, subject to certain conditions, from penalties under certain U.S. secondary sanctions for financial transactions relating to the import of Iranian oil, based on the U.S. government's determination that the PRC had significantly reduced its volume of crude oil purchases from Iran. Under the interim Joint Plan of Action ("JPOA") with Iran implemented in January 2014, the U.S. government further agreed that it would not seek to pressure the PRC government to further reduce its purchases of Iranian oil, provided that the PRC did not increase imports of Iranian oil. On Implementation Day, the U.S. government fully suspended its secondary sanctions targeting imports of Iranian oil.

After consulting with our legal advisers (whose views are based on information provided by us), we believe that, since (i) the payments for oil imports were made outside of the SWIFT system and were not cleared through a U.S. correspondent bank; (ii) there was no involvement of any U.S. persons in our processing of the payments and accordingly, no jurisdiction for the application of U.S. primary sanctions; and (iii) no remittances were made to counterparties located in Iran, (a) there is effectively no risk of enforcement for a direct violation under primary sanctions by the U.S., the EU or the UN arising from the banking services we provided to the customer; and (b) there is no risk of sanctions violations for the Relevant Persons.

Furthermore, based on our counsel's view (which in turn is based on information we provided), we believe that, given the U.S. government's commitment not to pressure the PRC to reduce Iranian oil imports during the effective period of the JPOA (January 2014 to January 2016), and the fact that the services we provided to that customer did not involve Iran or any Iranian banks, our risk of being exposed to penalties under U.S. secondary sanctions is very low.

In order to ensure that we do not expose ourselves or the Relevant Persons to any sanctions or facilitation risk, we had ceased to provide banking services to that customer as of the end of 2015. Further, as of Implementation Day that customer is no longer subject to U.S. restrictions and U.S. secondary sanctions no longer target trade in Iranian oil. As such, as of the Latest Practical Date, we had re-commenced providing banking services to that customer.

Our Undertakings and Internal Control Measures

We undertake to the Hong Kong Stock Exchange that we will not use the proceeds from the Global Offering, or any other funds raised through the Hong Kong Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Country or any other government, individual or entity sanctioned by the U.S., the EU or the UN. We also undertake to the Hong Kong Stock Exchange that we will not enter into sanctionable transactions that would expose us or the Relevant Persons to risks of being sanctioned. If we breach any of these undertakings to the Hong Kong Stock Exchange after the Listing, it is possible that the Hong Kong Stock Exchange may delist our H Shares.

In compliance with applicable PRC laws and regulations, we have in place the following internal control measures to mitigate our sanctions risk:

- We have implemented the *Zheshang Bank Anti-money Laundering Measures and Policies* ("AML measures") which stipulate the responsibilities of our headquarters, branches and sub-branches with respect to banking services provided to customers.
- Based on our internal control policies, each of our branches and relevant business departments have implemented internal control measures aimed at identifying suspicious customers and transactions which may involve sanctions risk.
- We currently maintain a proprietary anti-money laundering ("AML") screening list by monitoring, among other things, the UN sanctions lists. According to our internal control policies, when handling inbound and outbound remittances, we will screen our customers and the counterparties involved in the transactions against our proprietary AML screening list to determine whether the counterparty is, or is owned or controlled by, a person located in a Sanctioned Country or a Sanctioned Person.
- Historically, we have conducted internal audits at the branch level to check the level of compliance with our internal control measures. We published the results of these internal audits and recommendations on how to rectify deficiencies.
- We have arranged our employees to attend trainings to raise their awareness of sanctions laws and related issues.

In order to ensure our compliance with our undertakings to the Hong Kong Stock Exchange that we will not expose ourselves or the Relevant Persons to the risk of being sanctioned, we have put in place the following internal control policies and measures.

- We will increase the frequency of internal audits at our branches and sub-branches across the PRC to identify internal control deficiencies and provide recommendations for rectification.
- We will screen our customers and their counterparties against a third-party screening database subscription, such as *Dow Jones*. Such databases are designed to flag potential targets of the U.S., EU and UN sanctions. When handling inbound and outbound remittances, we will screen our customers and the counterparties involved in the transactions against such database to determine whether the counterparty is, or is owned or controlled by, a person located in a Sanctioned Country or a Sanctioned Person.
- If necessary, we will engage a reputable external international audit or consulting firm with relevant expertise and experience (the "Compliance Expert") to perform an evaluation of our sanctions risk and provide us with recommendations and advice.
- Our internal control & compliance & legal affairs department will monitor new sanctions laws and any changes to existing sanctions laws and will seek advice from external legal counsel or the Compliance Expert, when necessary, to confirm that our existing business activities do not violate any of the latest applicable sanctions laws.
- Our internal control & compliance & legal affairs department will, with the assistance of the Compliance Expert, provide regular training and legal updates to employees who are involved in businesses involving overseas counterparties to ensure that they understand and comply with our internal control framework, and to assist them in evaluating the potential sanctions risks in our daily operations.
- If any potential sanctions risk is identified by our internal control & compliance & legal affairs department, our internal control & compliance & legal affairs department will seek advice from reputable external international legal counsel with relevant expertise. Based on the advice of such counsel, internal control & compliance & legal affairs department will evaluate whether to continue any business or veto any new business opportunities that may involve sanctions risk.
- If our internal control & compliance & legal affairs department believes that any transaction would put us or the Relevant Persons at risk of being sanctioned based on the internal control measures we have in place, they may, after receiving our management's approval, request that the relevant departments or branches cease or not enter into such transaction.

We believe that these internal control measures are adequate and effective to help us comply with our undertakings to the Hong Kong Stock Exchange and to identify and monitor any material risk relating to economic sanctions so as to protect our interests and those of our Shareholders. With regard to the internal control measures set out above, after undertaking the relevant due diligence, and subject to the full implementation and enforcement of these measures, we and the Joint Sponsors are of the view that these measures will provide a reasonably adequate and effective framework to assist us with identifying and monitoring any material risk relating to sanctions laws.

INTERNAL AUDIT

We attach great importance to internal audits and believe that they are essential to the improvement of our risk status and our internal controls, as well as our stable operations and sustainable development. We have established a dedicated internal audit department with dedicated personnel which has implemented a vertical internal audit system and which independently performs the functions of audit supervision, evaluation and consultation. In addition to the existing internal audit department at our head office, we have established audit departments or audit centers at 16 of our first-tier branches among our 21 first-tier branches. The other five first-tier branches also have audit personnel in their compliance departments. Our audit department is under the supervision of and reports to our Board of Directors and our audit committee.

Our internal audits are risk-oriented and focus on the prevention of major operational risks and litigation risks. Through internal audits, we audit, supervise and evaluate our business operations, income and expenses, risk exposure and the effectiveness of our internal controls, and also audit relevant staff in key positions with respect to their economic obligations. Our audits can primarily be divided into economic obligation audits during or after a term of service, internal control evaluation audits and various special audits.

We have formulated a series of rules and systems for internal audits, including the China Zheshang Bank Basic Internal Audit System (《浙商銀行內部審計基本制度》) and the China Zheshang Bank Internal Audit Standards (《浙商銀行內部審計準則》), which provide specific requirements for our auditing system, departments and personnel, as well as their duties, required authorizations and auditing principles. They also provide procedures and the audit focus for each of our major businesses.

We carry out internal audits in accordance with the principles of "independence, materiality, prudence, objectiveness, relevance and effectiveness".

The primary objectives of our internal audits are to ensure our consistent compliance with applicable laws, regulations, guidelines and policies, as well as the rules promulgated by relevant regulatory authorities relating to economics and finance, and our own rules and systems, which helps us ensure that risks relating to our risk management framework are within the levels acceptable to us, improves our operations and increases the value of our Bank.

Our audit departments carry out audits through on-site audits, off-site audits, unannounced audits and audit investigations. The main audit procedures are as follows:

- The procedures for our audit work mainly include: formulating audit plans, executing audit plans and examining audit work.
- The procedures for our audit projects mainly include: audit project opening, audit preparation, audit deposition, audit reporting, material preparation and project evaluation.

Audit departments fully report audit findings in writing, provide objective audit analysis, evaluations and conclusions, and provide audit opinions and other audit-related information.

Our audit departments regularly visit auditees after performing on-site audits to ensure that the problems identified during the audit are rectified in an effective manner.

INTERNAL CONTROL

Internal Control Objectives

We endeavor to implement internal control mechanisms, prevent operational risks and continuously enhance our internal control measures in accordance with work deployment and regulatory requirements. We also strive for innovation with respect to internal control measures. So doing allows us to improve the effectiveness of our internal controls, effectively mitigate operational and litigation risks and improve the level of our competitiveness. Our internal control objectives mainly include the following:

- To ensure consistent compliance with relevant laws, regulations and rules;
- To ensure the application of our development strategies and the accomplishment of our operating objectives;
- To ensure the effectiveness of our risk management; and
- To ensure the truthfulness, accuracy, completeness and timeliness of our business records, accounting information, financial information and other management information.

Our Internal Control System

In accordance with the requirements relating to the establishment of enterprise internal controls under, among other things, the PRC Commercial Banking Law, the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》), the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) and the guidelines issued by the Basel Committee, we have developed an internal control system covering our internal environment, risk assessment, control activities, information and communications and internal supervision, which is in line with our development strategies, operating mode, business scale, product complexity and risk situation.

Internal Control and Management Structure

Our internal control and management structure comprises three levels, namely an internal control decision-making level, an execution level and a supervision and evaluation level. In addition, the heads of our branches, sub-branches and functional departments are in charge of internal control related matters, and all of our employees are involved in our internal control management:

- Our Board of Directors is responsible for establishing and implementing a comprehensive and effective internal control system, and we have established an audit committee under our Board which is in charge of examining and supervising the effective implementation of our internal controls and our internal control self-evaluations.
- Our Board of Supervisors is responsible for supervising our Board of Directors and our senior management with respect to the optimization of our internal control system and the performance of their internal control duties.
- Our senior management is responsible for implementing the resolutions of our Board, formulating internal control policies, establishing procedures and measures to identify, measure, monitor and control risks, establishing and improving our internal organizational structure to ensure the effective performance of various internal control duties and monitoring, assessing and reporting on the adequacy and effectiveness of our internal control system.
- Our internal control & compliance & legal affairs department, being the department in charge of internal control management, supervises the coordination, planning, organization, implementation, examination and evaluation of our internal control system. The audit department performs supervisory functions with respect to internal control, and is responsible for auditing the adequacy and effectiveness of our internal controls,

reporting the problems identified during the audit in a timely manner and supervising the rectification of such problems. Our business departments, other than the departments mentioned above, are responsible for taking part in the formulation of business practices and operating procedures relating to their respective duties, strictly complying with internal control related requirements, organizing and carrying out supervision and examination procedures with respect to internal control, reporting the exiting deficiencies of our internal controls by way of a regular internal control compliance meeting and arranging rectification of such deficiencies.

Internal Control Measures

We have established and implemented three long-term internal control mechanisms, including our circular internal control improvement mechanism, our internal control issues identification and rectification mechanisms and our internal control accountability and inspection rewards and punishment mechanism. We have also increased our efforts with respect to training, examination, rectification and rewards and punishment in a systematic manner in order to continuously facilitate and deepen our internal control capabilities.

We involve our management on the working plans for our internal controls and case prevention and have established a system for recording non-compliance incidents with a corresponding internal rating. We continuously strive to strengthen our management with respect to the operation of our management system for non-compliance issues and our off-site monitoring systems. We also strive to promote the construction of infrastructure relating to internal controls for newly established branches. In addition, we supervise the performance of our staff in certain key positions, continuously enhance our exchange of information and feedback regarding internal controls and proactively enhance supervision, examination and rectification of internal control issues.

CONNECTED TRANSACTIONS

Upon Listing, the transactions we have entered into with our connected persons (as defined in the Listing Rules) will constitute connected transactions for us under Chapter 14A of the Listing Rules. Such transactions will continue following the Listing Date, thereby constituting continuing connected transactions under the Listing Rules.

Exempt Continuing Connected Transactions

We are a commercial bank incorporated in the PRC and regulated by the CBRC and the PBOC. We provide commercial banking services and products in our ordinary and usual course of business to members of the public in the PRC, which include our connected persons (including certain shareholders, Directors, Supervisors, senior management and/or their respective associates). Set out below are details of various continuing connected transactions between us and our connected persons (including certain shareholders, Directors, Supervisors, senior management and/or their respective associates). These transactions are entered into on normal commercial terms (or better terms to us) in the ordinary and usual course of our business, and thus are fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

We also enter into certain non-banking transactions with our connected persons and/or their respective associates from time to time in our ordinary and usual course of business (such as leasing arrangements) on normal commercial terms (or better terms to us) and which are expected to constitute *de minimis* transactions under Chapter 14A of the Listing Rules. The transactions contemplated under those arrangements constitute a continuing connected transaction of our Bank which is fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business—Loans and credit facilities to connected persons

We extend loans and credit facilities in the ordinary and usual course of our business to certain of our connected persons on normal commercial terms with reference to the prevailing market rates. We expect that we will continue to provide loans and credit facilities to our connected persons following the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The above loans and credit facilities provided by us to our connected persons are in the ordinary and usual course of our business and on normal commercial terms with reference to the prevailing market rates. Therefore, these transactions will constitute fully exempt continuing connected transactions under Rule 14A.87(1) of the Listing Rules, namely financial assistance provided by us in our ordinary and usual course of business to a connected person on normal commercial terms, and thus will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business—Deposit taking

We take deposits in the ordinary and usual course of our business from certain of our connected persons at normal interest rates and on normal commercial terms. We expect that our connected persons will continue to place deposits with us following the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The deposits placed by our connected persons are on normal commercial terms, with reference to prevailing market rates. Therefore, these transactions will constitute fully exempt continuing connected transactions under Rule 14A.90 of the Listing Rules, namely financial assistance received by us from a connected person in the form of deposits placed with a listed issuer on normal commercial terms and not secured by the assets of the listed issuer's group, and thus will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Commercial banking services and products provided in the ordinary and usual course of business—Other banking services and products

We provide various commercial banking services and products (including credit cards/debit cards and wealth management products) to certain of our connected persons at normal prescription fees, service fees and charges in the ordinary and usual course of our business and on normal commercial terms and conditions. We expect that we will continue to provide such banking products and services to our connected persons following the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The provision of such banking services and products to our connected persons and/or their respective associates in the ordinary and usual course of business, which are on normal commercial terms that are comparable to or no more favorable than those offered to independent third parties, are expected to constitute *de minimis* transactions under Chapter 14A of the Listing Rules. As a result, these transactions will constitute fully exempt continuing connected transactions pursuant to Rule 14A.76(1) of the Listing Rules, and thus will be fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS

The Board of Directors of our Bank consists of 18 Directors, including four Executive Directors, seven Non-executive Directors and seven Independent Non-executive Directors.

Certain information of the Directors is listed in the following table. All Directors meet the qualification requirements for their positions as stipulated in relevant PRC laws and regulations and the Listing Rules.

Name	Age	Position/Title	Date of joining our Bank	Date of appointment as Director	Responsibilities
SHEN Renkang (沈仁康)	53	Executive Director, Chairman	July 2014	August 2014	Responsible for formulating business strategy of our Bank and making major business decisions
LIU Xiaochun (劉曉春)	56	Executive Director, Vice Chairman, President	July 2014	August 2014	Responsible for operations of our Bank, in charge of executive office, human resource department and development & planning department
ZHANG Luyun (張魯芸)	54	Executive Director	January 2015	February 2015	Participate in the decision-making of operating strategy and other major events
XU Renyan (徐仁艷)	50	Executive Director, Vice President	May 2004	May 2004	In charge of corporate banking department, international business department, VIP clients department and operations management department of our Bank
WANG Yibing (汪一兵)	49	Non-executive Director	February 2015	February 2015	Participate in the decision-making of operating strategy and other major events
WANG Mingde (王明德)	73	Non-executive Director, Vice Chairman	August 2010	August 2010	Participate in the decision-making of operating strategy and other major events
SHEN Xiaojun (沈小軍)	56	Non-executive Director	March 2009	March 2009	Participate in the decision-making of operating strategy and other major events
GAO Qinhong (高勤紅)	52	Non-executive Director	May 2004	May 2004	Participate in the decision-making of operating strategy and other major events

Name	Age	Position/Title	Date of joining our Bank	Date of appointment as Director	Responsibilities
HU Tiangao . . . . . . (胡天高)	50	Non-executive Director	May 2004	May 2004	Participate in the decision-making of operating strategy and other major events
LOU Ting . . . . (樓婷)	39	Non-executive Director	February 2015	February 2015	Participate in the decision-making of operating strategy and other major events
WEI Dongliang . . . (韋東良)	41	Non-executive Director	February 2015	February 2015	Participate in the decision-making of operating strategy and other major events
JIN Xuejun . . . . . . (金雪軍)	57	Independent Non-executive Director	August 2010	August 2010	Participate in the decision-making of operating strategy and other major events
TONG Benli . . . . . (童本立)	65	Independent Non-executive Director	February 2015	February 2015	Participate in the decision-making of operating strategy and other major events
YUAN Fang . . . . . (袁放)	59	Independent Non-executive Director	February 2015	February 2015	Participate in the decision-making of operating strategy and other major events
ZHENG Xinli . . . . (鄭新立)	70	Independent Non-executive Director	February 2015	February 2015	Participate in the decision-making of operating strategy and other major events
DAI Deming . . . . . (戴德明)	53	Independent Non-executive Director	February 2015	February 2015	Participate in the decision-making of operating strategy and other major events
LIU Pak Wai . . . . . (廖柏偉)	68	Independent Non-executive Director	February 2015	February 2015	Participate in the decision-making of operating strategy and other major events
ZHENG Jindu . . . . (鄭金都)	51	Independent Non-executive Director	December 2015	December 2015	Participate in the decision-making of operating strategy and other major events

Executive Director

SHEN Renkang (沈仁康) is currently an Executive Director and Chairman of our Bank. Mr. Shen joined our Bank in July 2014 as the secretary of Communist Party of China ("**CPC**") committee of our Bank, and was appointed as Executive Director and Chairman in August 2014. Main experience of Mr. Shen includes: from July 1982 to December 1992, he had successively held the posts of cadre of the production department, vice director and director of the production technology department of Second Light Industry Bureau of Lishui Region, Zhejiang, among which period he was seconded to Second Light Industry Head Office of Yuyao City, Zhejiang from June 1992 to December 1992, as assistant to the general manager; from December 1992 to March 1996, he had successively held the posts of assistant to county chief (vice-county level) and vice county chief of Qingtian County, Zhejiang; from March 1996 to August 1997, he was appointed as member of the CPC standing committee and vice county chief of Qingtian County, Zhejiang; from August 1997 to September 2000, he had successively held the posts of vice county secretary of CPC, acting county chief and county chief of Qingtian County, Zhejiang; from September 2000 to February 2011, he was appointed as vice mayor of Lishui City, Zhejiang, among which period he concurrently held the position of party committee secretary of management committee of Lishui Economic Development Zone from December 2003 to April 2007; and from November 2005 to February 2011, he concurrently held the position of member of the standing committee of Lishui City, Zhejiang; from February 2011 to May 2012, he was appointed as vice secretary of Lishui City, Zhejiang, among which period he concurrently held the position of politics and law committee secretary in municipal CPC committee of Lishui City from April 2011 to May 2012; from May 2012 to July 2014, he had successively held the posts of vice secretary, acting mayor and mayor of Quzhou City, Zhejiang.

Mr. Shen graduated from Northwest Institute of Light Industry in July 1982 with a bachelor's degree in Engineering majoring in Leather, and graduated from Xiamen University with a master's degree in Business Administration for Senior Management Personnel in December 2010.

LIU Xiaochun (劉曉春) is currently an Executive Director, Vice Chairman and President of our Bank. Mr. Liu joined our Bank in July 2014 as the deputy secretary of CPC of our Bank and was appointed as Executive Director and President of our Bank in August 2014. In February 2015 he was appointed as Vice Chairman of our Bank. Mr. Liu has over 32 years of experience in the banking industry. Main experience of Mr. Liu includes: in June 1983, he began to work at Zhejiang provincial branch of Agricultural Bank of China, and held the position of vice president of Yongkang sub-branch from September 1986 to October 1987; from January 1988 to February 1989, he assumed the position of vice director of editorial department of financial research institute's *Zhejiang Rural Financial Research* of Zhejiang provincial branch of Agricultural Bank of China; from February 1989 to March 1992 he held the position of section chief of credit section, international business department of Zhejiang provincial branch of Agricultural Bank of China; from March 1992 to July 1993, Mr. Liu was appointed as manager of credit department of international business department of Zhejiang provincial branch of Agricultural Bank of China; from July 1993 to September 1995, he held the position of vice general manager of business department of Zhejiang provincial branch of Agricultural Bank of China; from September 1995 to April 1997, he was appointed as general manager of international business department of Zhejiang provincial branch of Agricultural Bank of China; from April 1997 to October 1999, he was appointed as vice general manager of international business department of head office of Agricultural Bank of China; from October 1999 to March 2004, he was appointed as vice general manager of Hong Kong branch of Agricultural Bank of China; from March 2004 to July 2010, he held the position of CPC party committee member and vice president of Zhejiang provincial branch of Agricultural Bank of China; from July 2010 to July 2014, he was appointed as general manager of Hong Kong branch of Agricultural Bank of China.

Mr. Liu graduated from Shanghai Institute of Finance and Economics (now known as Shanghai University of Finance and Economics) with a bachelor's degree in Economics majoring in Finance in January 1983. In December 1992 he was qualified as a senior economist by Agricultural Bank of China.

ZHANG Luyun (張魯芸) is currently an Executive Director of our Bank. Ms. Zhang joined our Bank in January 2015, and holds the position of Deputy Secretary of CPC committee. Since September 2015, she holds the position of director of labor union working committee. Main experience of Ms. Zhang includes: from April 1991 to September 1997, she held the position of vice director general of information division, Hangzhou Municipal Office and division chief of press section, Hangzhou Municipal Office; from September 1997 to December 1998 she was appointed as a member of the party committee and vice president of Hangzhou Radio & TV University; from January 1999 to September 2001, she was appointed as secretary for confidential information at cadre level of organization department of Zhejiang provincial party committee; from September 2001 to December 2014, she was appointed as a member of the party committee, vice general manager and director of Zhejiang Communications Investment Group Co., Ltd; from March 2003 to June 2012, Ms. Zhang held the position of non-executive director of Zhejiang Expressway Co., Ltd. (listed on Hong Kong Stock Exchange, stock code: 00576).

Ms. Zhang graduated from Zhejiang University in June 2001 with a bachelor's degree majoring in Administration Management (correspondence). In June 2008, she finished the part time Executive Master of Business Administration programme and graduated from China Europe International Business School with a master's degree in Business Administration. In December 1998, she was qualified as a post-secondary education assistant researcher by Hangzhou Municipal Bureau of Personnel. In December 2003, she was qualified as a senior economist by Zhejiang Provincial Personnel Department.

XU Renyan (徐仁艷) is currently an Executive Director and the Vice President of our Bank. Mr. Xu joined our Bank in May 2004 as a CPC party committee member of our Bank. From May 2004 to July 2004, he worked at preparation and coordination working group of our Bank. Since May 2004 and July 2004 till now, he has been Director and Vice President of our Bank, respectively. Mr. Xu has over 30 years of working experience in the banking industry. Main experience of Mr. Xu includes: in August 1985, he began to work for the accounting department of Zhejiang provincial branch of PBOC; from April 1989 to July 1993, he was appointed as vice section chief of financial section, accounting department, Zhejiang provincial branch of PBOC; from July 1993 to August 1996, he was appointed as section chief of financial section, accounting department, Zhejiang provincial branch of PBOC; from August 1996 to December 1998, he was appointed as vice director of accounting department, Zhejiang provincial branch of PBOC; from January 1999 to March 2000, he held the position of vice director of accounting and financial department, Hangzhou central branch, PBOC; from March 2000 to April 2002, he was appointed as department chief of accounting and financial department, Hangzhou central branch, PBOC; from April 2002 to May 2004, he was appointed as a member of the party committee and vice president of Hangzhou central branch, PBOC.

Mr. Xu graduated from the Adult Education College of Zhejiang University with a bachelor's degree in Monetary Banking in July 1999. In July 2003, he graduated from Correspondence School of Party School with a master's degree majoring in Economics and Management. In November 1999, he was qualified as a senior accountant by PBOC. In June 2000, he was qualified as a certified tax agent by Zhejiang Provincial Personnel Department.

Non-executive Director

WANG Yibing (汪一兵) is currently a Non-executive Director of our Bank. Ms. Wang joined our Bank in February 2015. Main experience of Ms. Wang includes: from December 1998 to April

2006, Ms. Wang had successively held the posts of manager of project department, assistant to general manager and vice general manager of Zhejiang Province Xingcai Real Estate Development Company; since May 2008 till now, she has been appointed as manager of first investment department of Zhejiang Province Financial Development Company; since August 2008 till now, she has been appointed as director of Zhejiang China Commodities City Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600415); since September 2009 till now, she has been appointed as director of Caitong Securities Co., Ltd. (formerly known as Caitong Securities Brokerage Limited Liability Company); since August 2011 till February 2016, she was appointed as director of Zhejiang Material Industrial Zhongda Yuantong Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600704); since August 2012 till now, she has been working as manager of financial management department of Zhejiang Provincial Financial Holdings Co., Ltd., a shareholder of our Bank; since January 2016 till now, she has been serving as director of Yongan Futures Co., Ltd..

Ms. Wang graduated from the Adult Education School of Zhejiang Finance and Economics College with a bachelor's degree in Economics majoring in Accounting (correspondence) in July 2000. In April 2012, she was qualified as a senior accountant by the Zhejiang Province Human Resources and Social Security Department.

WANG Mingde (王明德) is currently a Non-executive Director and Vice Chairman of our Bank. Mr. Wang joined our Bank in August 2010 as Director of our Bank and was appointed as Vice Chairman in February 2015. Main experience of Mr. Wang includes: from April 1979 to October 1991, he worked as section chief and vice president of Wenzhou branch, Bank of China; from October 1991 to October 1993, he worked as president of Osaka branch of Bank of China; from October 1993 to October 1994, he was appointed as vice president of Tokyo branch of Bank of China; from October 1994 to September 2000, he worked as vice president of Zhejiang Provincial branch of Bank of China; from September 2000 to November 2005, he was appointed as vice president of Tokyo branch of Bank of China; from December 2005 to January 2010, he was senior expert (general manager level) of IT blueprint office of head office of Bank of China; from February 2010 till now, he has been a vice president of Traveller Automobile Group, a shareholder of our Bank.

Mr. Wang graduated from the Department of Mathematics of Hangzhou Normal College (now known as Zhejiang Normal University) in August 1962. In December 1987 he was qualified as a senior economist by the Bank of China.

SHEN Xiaojun (沈小軍) is currently a Non-executive Director of our Bank. Ms. Shen joined our Bank in March 2009. Main experience of Ms. Shen includes: from August 1980 to September 1987, she worked as statistician, dispatcher and secretary of Youth League Committee of Fourth Workshop of State-owned No. 746 Factory; from September 1987 to July 1990, she served as leader of rural investigation team of Shaoxing County; from July 1990 to August 1991, she served as vice unit chief of urban statistical unit, Shaoxing County Statistical Bureau; from August 1991 to July 1993, she was appointed as chief of comprehensive statistical unit, Shaoxing County Statistical Bureau; from July 1993 to May 1997, she was appointed as vice director general and a member of the party group of Shaoxing County Statistical Bureau; from May 1997 to May 2006, she was appointed as bureau director of Shaoxing County Statistical Bureau, and during this period, she was appointed as secretary of leading party members' group of Shaoxing County Statistical Bureau from December 1997. From May 2006 to December 2008, she was appointed as secretary of leading party members' group of Shaoxing County Economic and Trade Bureau and during this period, she was also appointed as bureau director of Shaoxing County Economic and Trade Bureau from September 2006; from

December 2008 to March 2014, she served as chairman of Zhejiang China Light & Textile Industrial City Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600790); from December 2009 to November 2012, she served as chairman of Shaoxing County China Light & Textile Industry City Market Development and Management Co., Ltd; from December 2009 to October 2014, she held the position of director of Shaoxing County China Light & Textile Industry City Market Development and Management Co., Ltd; since September 2010 till now, she served as vice chairman of Kuaijishan Shaoxing Rice Wine Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601579); since November 2014 till now, she is the chairman of the labor union of Zhejiang China Light & Textile Industrial City Group Co., Ltd.

Ms. Shen graduated from Peking University majoring in Law (online education) in July 2004. In December 2009, she was qualified as a senior economist by Zhejiang Province Human Resources and Social Security Department.

GAO Qinhong (高勤紅) is currently a Non-executive Director of our Bank. Ms. Gao joined our Bank in May 2004. Main experience of Ms. Gao includes: from January 1981 to December 1990, she worked as accountant and credit manager of Xiaoshan branch of Industrial and Commercial Bank of China Co., Ltd.; from January 1991 to December 1994, she served as accountant and credit manager of Zhejiang provincial branch of Industrial and Commercial Bank of China Co., Ltd; from December 1994 to February 2003, she served as section chief of credit and loan section and division-level inspector of Hangzhou branch and vice president of Wulin sub-branch, Shanghai Pudong Development Bank Co., Ltd; from February 2003 to now, she has served successively as vice general manager, chief financial officer and director of Zhejiang Hengyi Group Co., Ltd; since April 2012 till now, she has worked as chief financial advisor at and been a director of Zhejiang Hengyi Group Go., Ltd. and held a concurrent position as director of Hengyi Petrochemical Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000703).

Ms. Gao graduated from Hangzhou University (now known as Zhejiang University) in September 1998 attending post-graduate courses in Finance Management. In December 2007, she was qualified as a senior economist by Zhejiang Provincial Personnel Department.

From December 2011 to June 2012, Zhejiang Hengyi Group Co., Ltd. and its financial officer, Lou Xiang, unlawfully used other person's accounts to undertake security trading in order to manipulate the stock price of Hengyi Petrochemical Co., Ltd., which is in violation of the relevant provisions in the PRC Securities Law. According to the CSRC Administrative Sanction Decision [2014] No. 41, the CSRC imposed sanctions on Zhejiang Hengyi Group Co., Ltd. and Lou Xiang for the facts stated above.

In the non-compliance incident above, the CSRC did not impose any penalty on Ms. Gao. Ms. Gao has also confirmed that she was not involved in such matter. Our Bank is of the view that the non-compliance incident above will not affect Ms. Gao Qinhong's ability to perform her fiduciary duties as a Director of our Bank pursuant to Rule 3.08 of the Listing Rules and she is competent in performing the duties of a Director of our Bank in accordance with Rule 3.09 of the Listing Rules.

HU Tiangao (胡天高) is currently a Non-executive Director of our Bank. Mr. Hu joined our Bank in May 2004. Main experience of Mr. Hu includes: from August 1988 to July 1995, he served as vice president of Dongyang sub-branch, Bank of China; from September 1995 till now, he has been working at Hengdian Group Holdings Limited and is currently a director and vice president of

Hengdian Group Holdings Limited; since March 2008 till now, Mr. Hu has been a director of Hengdian Group DMEGC Magnetics Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002056); since May 2008 till now, he has been a director of Apeloa Pharmaceutical Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000739); since April 2011 till now, he has been a director of Innuovo Technology Co., Ltd. (formerly known as Taiyuan Twin-tower Aluminum Oxide, Inc) (listed on the Shenzhen Stock Exchange, stock code: 000795).

Mr. Hu graduated from Zhejiang Academy of Bank (now known as Zhejiang Financial College) majoring in Urban Finance in July 1985. In December 2013, he graduated from Executive Business Administration programme of Zhejiang University and obtained a master's degree in Business Administration.

LOU Ting (樓婷) is currently a Non-executive Director of our Bank. Ms. Lou joined our Bank in February 2015. Main experience of Ms. Lou includes: from June 2007 to August 2013, she held several positions in Bank of Communications Co., Ltd. Jinhua branch as assistant manager of business department I, operating department and concurrently held the positions of manager of business and sales department III, vice general manager of international business department and business development department concurrently, manager of Jindong District and Dongyang District's district business development department III and president of Dongyang sub-branch; since September 2013 till now, she has been chief executive officer of Guangsha Holding Group Co., Ltd., a shareholder of our Bank.

Ms. Lou graduated from China University of Political Science and Law and China Central Radio and TV University (now known as The Open University of China) (remote-education) majoring in Law in July 2002, and obtained a bachelor's degree in Law in July 2004. In November 2004, she obtained intermediary financial economist qualification granted by Personnel Department of China.

Since September 2013, Ms. Lou has held the position of chief executive officer in Guangsha Holding Group Co., Ltd. In October 2013, Guangsha Holding Group Co., Ltd. as the controlling shareholder of Zhejiang Guangsha Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600052) funded the transferee in a share transfer transaction with Zhejiang Guangsha Co., Ltd. without notifying Zhejiang Guangsha Co., Ltd. of it. As a result, Zhejiang Guangsha Co., Ltd. failed to perform the internal decision-making procedures and the information disclosure obligations in relation to connected transactions. Moreover, Guangsha Holding Group Co., Ltd. and parties acting in concert with it did not abstain from voting on such transaction at the meeting of the board of directors of Zhejiang Guangsha Co., Ltd.

In November 2015, the Shanghai Stock Exchange considered that Guangsha Holding Group Co., Ltd. was in breach of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and as a result of which announced that Guangsha Holding Group Co., Ltd. shall be subject to close scrutiny and supervision. In this non-compliance incident, the Shanghai Stock Exchange did not impose any penalty on Ms. Lou Ting, and Ms. Lou Ting also confirmed she was not involved in such matter. Our Bank is of the view that the non-compliance incident above will not affect Ms. Lou Ting's ability to perform her fiduciary duties as a Director of our Bank pursuant to Rule 3.08 of the Listing Rules and she is competent in performing the duties of a Director of our Bank in accordance with Rule 3.09 of the Listing Rules.

WEI Dongliang (韋東良) is currently a Non-executive Director of our Bank. Mr. Wei joined our Bank in February 2015. Main experience of Mr. Wei includes: from September 2001 to March 2003, he worked as clerk of production and business department of Zhejiang Province Power Development Company; from March 2003 to March 2004, he worked as clerk of production and business department of Zhejiang Provincial Energy Group Company Ltd.; from March 2004 to September 2006, he served as office secretary of Zhejiang Provincial Energy Group Company Ltd.; from September 2006 to March 2007, he served as assistant to general manager of Zhejiang Zheneng Lanxi Power Generation Co., Ltd.; from March 2007 to February 2010, he served as vice general manager and member of party committee of Zhejiang Zheneng Lanxi Power Generation Co., Ltd.; from February 2010 to April 2011, he held the positions of vice general manager and member of party committee of Zhejiang Province Water Conservancy and Hydropower Investment Group Co., Ltd.; from April 2011 to July 2014 he served as vice director of asset operation department of Zhejiang Provincial Energy Group Company Ltd.; since May 2010 till now, he has been a director of Qianjiang Water Resources Development Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600283); since June 2015 till now, he has been appointed as vice chairman of Qianjiang Water Resources Development Co., Ltd.; since July 2014 till now, he has been the director of asset operation department of Zhejiang Provincial Energy Group Company Ltd.; since June 2015 till now, he has been serving as director and vice chairman of Zheshang Property and Casualty Insurance Company Limited.

Mr. Wei graduated from Department of Chemistry, Zhejiang University, majoring in Industrial Automation in July 1996 and obtained a bachelor's degree. He graduated from Zhejiang University majoring in Business Administration in March 2004 and obtained a master's degree of Business Administration. Mr. Wei was qualified as an engineer by Intermediate Professional Technical Qualifications Appraisal Committee of State Grid Corporation in December 2001 and obtained the professional qualification of Business Administration Economy (Intermediate) granted by Ministry of Personnel of the PRC in November 2002.

Independent Non-executive Director

JIN Xuejun (金雪軍) is currently an Independent Non-executive Director of our Bank. Mr. Jin joined our Bank in August 2010. Mr. Jin has been engaged in finance teaching and research work in Zhejiang University since December 1984. From August 2008 to September 2014, Mr. Jin served as independent non-executive director of Harbin High-Tech (Group) Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600095) and Zhejiang Orient Holdings Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600120). Since September 2012, October 2012 and November 2013 till now, he held the posts of independent director of Zhejiang Weixing Industrial Development Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002003), Xinhu Zhongbao Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600208) and Zhejiang Wansheng Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 603010) respectively, and served as an independent non-executive director of Zuoli Kechuang Micro-finance Company Limited (listed on the Hong Kong Stock Exchange, stock code: 06866) since April 2014. Since February 2014, Mr. Jin has been serving as a director of HAKIM Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 300300) and as an independent director of Yangtze River Jinggong Steel Construction (Group) Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600496) since July 2015.

Mr. Jin is also the president of The International Finance Association of Zhejiang Province, State Council Special Allowance Expert and Young Expert with Outstanding Contribution of Zhejiang.

Mr. Jin graduated from Nankai University with a major in Political Economies in January 1982 and obtained a bachelor's degree in Economies in July 1982. In December 1984, he graduated from Nankai University majoring in Political Economies and obtained a master's degree in Economies.

TONG Benli (童本立) is currently an Independent Non-executive Director of our Bank. Mr. Tong joined our Bank in February 2015. Main experience of Mr. Tong includes: from January 1986 to July 1991, he held the position of division chief of budget division of Zhejiang Provincial Department of Finance; from July 1991 to October 2008, he successively held the positions of associate dean, dean and secretary of CPC committee of Zhejiang College of Finance & Economics (now known as Zhejiang University of Finance and Economics); from June 2009 to June 2015, Mr. Tong held the position of independent director of Zhejiang Medicine Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600216) and Sunyard System Engineering Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600571); from February 2008 to September 2015, he was an independent director of Zhejiang Narada Power Source Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 300068); from October 2008 to June 2014, he was an independent director of Soyea Technology Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000909); from November 2009 to January 2016, Mr. Tong has been an independent director of Zhejiang Reclaim Construction Group Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002586); since May 2014 till now, Mr. Tong holds the position of independent director of Hangzhou Jiebai Group Co., Limited (listed on the Shanghai Stock Exchange, stock code: 600814). Mr. Tong is also the vice president of Zhejiang Provincial Auditing Society and Executive Director of Zhejiang Institute of Certified Public Accountants.

Mr. Tong graduated from the Graduate Course at the Financial Science Institute of the Ministry of Finance in February 1984 majoring in Economics and obtained a master's degree in Economics in August 1984. In November 1992, he was qualified as a senior accountant by Zhejiang Province Human Resources and Social Security Department. In December 1997, he was qualified as an economics professor.

YUAN Fang (袁放) is currently an Independent Non-executive Director of our Bank. Mr. Yuan joined our Bank in February 2015. Main experience of Mr. Yuan includes: from August 1991 to May 1992, he served as vice president of Zhejiang Academy of Bank (now known as Zhejiang Financial College); from May 1992 to March 1993, he worked as vice division chief of finance management office, Zhejiang provincial branch of People's Bank of China; from July 1993 to April 2001, he served as vice general manager of Zhejiang Provincial Securities Trading Center; from May 2001 to December 2003, he worked as vice president of Tianyi Securities Co., Ltd; from January 2004 to December 2004, he held the position of general manager of Zhejiang Property & Stock Exchange; from January 2005 to December 2006, he held the position of vice president of Coslight Technology International Group Co., Ltd; since January 2007 till now, he has been the chairman of Zhejiang Provincial Securities and Listed Company Research Association.

Mr. Yuan graduated from the Department of Chinese of Hangzhou University (now known as Zhejiang University) in January 1982 and obtained a bachelor's degree in Arts in September 1982. He was granted the qualification for conducting securities business by Securities Association of China in December 2001.

ZHENG Xinli (鄭新立) is currently an Independent Non-executive Director of our Bank (pending the approval of the CBRC on director's qualification as of the Latest Practicable Date).

Mr. Zheng joined our Bank in February 2015. Main experience of Mr. Zheng includes: from December 1987 to July 1990, Mr. Zheng was a vice chief economist of State Information Center; from July 1990 to June 2000, Mr. Zheng successively held the positions of vice director, director, planning commission spokesman and vice secretary general of Policy Research Center of State Planning Commission; since August 2013 till now, he has been serving as an independent director of Bank of Beijing (listed on the Shanghai Stock Exchange, stock code: 601169). Mr. Zheng currently holds the positions of vice president of China Center for International Economic Exchanges and Chairman of China Society of Industrial Economics.

Mr. Zheng graduated from the Graduate School of Chinese Academy of Social Sciences in September 1981 majoring in Industrial Economics and obtained a master's degree in Economics in March 1982. In May 2014, he was recognized as one of the Top 10 Economists of the Year 2013 by *The Economists Weekly*.

On January 26, 2016, Mr. Zheng tendered his resignation as an Independent Non-executive Director of our Bank due to personal reasons. The resignation of Mr. Zheng as an Independent Non-executive Director will not become effective until his resignation is approved at the shareholders' general meeting according to the current effective articles of association of the Bank. As of the Latest Practicable Date, Mr. Zheng's resignation has not been approved at the shareholders' general meeting of the Bank.

DAI Deming (戴德明) is currently an Independent Non-executive Director of our Bank. Mr. Dai joined our Bank in February 2015. Main experience of Mr. Dai includes: since July 1991, he has been teaching at the accounting department of Renmin University of China, being a lecturer till June 1993, an associate professor from July 1993 to June 1996 and a professor from July 1996 till now. Currently, he serves as vice chairman of Accounting Society of China. From 2002 to 2007, Mr. Dai was an independent director of Unisplendour Guhan Group Corporation Limited ("Unisplendour Guhan", listed on the Shenzhen Stock Exchange, stock code 000590). From December 2007 to June 2014, Mr. Dai was an independent director of CRRC Corporation Limited (listed on the Shanghai Stock Exchange, stock code: 601766). Since May 2011 and September 2014, he has been independent director of Shanxi Taigang Stainless Steel Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000825), and Beijing Xinwei Telecom Technology Group Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600485), respectively. Since June 2015 till now, he has been independent director of Qingdao Haier Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600690); since September 2015 till now, he has been an independent director of Beijing Capital Development Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600376).

Mr. Dai graduated from the Hunan Institute of Finance and Economics (now known as Hunan University) in July 1983 majoring in Industry Finance and Accounting. He graduated from the Accounting Department of Zhongnan University of Economics (now known as Zhongnan University of Economics and Law) with a major in Accounting in July 1986 and obtained a master's degree in Economics in October 1986. He graduated from the Accounting Department of Renmin University of China in June 1991, and obtained a doctor's degree in economics.

From 2005 to 2008, Unisplendour Guhan, with which Mr. Dai had served as an independent director from 2002 to 2007, recorded certain false information in its annual reports and failed to disclose a joint venture agreement entered into by Unisplendour Guhan in 2005, which are in violation of the relevant provisions in the PRC Securities Law. According to the CSRC Administrative Penalty

Decision [2013] No. 9 and the Shenzhen Stock Exchange Penalty Decision (Shenzhengshang [2013] No. 233), the CSRC and the Shenzhen Stock Exchange imposed penalties on Unisplendour Guhan and certain of its officers and directors (which did not include Mr. Dai) for the non-compliance incidents stated above.

In the non-compliance incidents above, the CSRC and the Shenzhen Stock Exchange did not impose any penalty on Mr. Dai. Mr. Dai has also confirmed that he was not involved in such non-compliance incidents. Our Bank is of the view, and the Joint Sponsors concur, that the non-compliance incidents above will not affect Mr. Dai's ability to perform his fiduciary duties as a Director of our Bank pursuant to Rule 3.08 of the Listing Rules and he is competent in performing the duties of a Director of our Bank in accordance with Rule 3.09 of the Listing Rules.

LIU Pak Wai (**廖柏偉**) is currently an Independent Non-executive Director of our Bank. Mr. Liu joined our Bank in February 2015. Main experience of Mr. Liu includes: from January 1976 to July 2013, he successively held the posts of lecturer, senior lecturer, reader and professor of The Chinese University of Hong Kong. During the period from October 1995 to December 2008, he was appointed as pro-vice chancellor and vice president of The Chinese University of Hong Kong. From January 2010 to May 2011, he served as director of Institute of Global Economics and Finance, The Chinese University of Hong Kong. Since August 2013 till now, Mr. Liu has worked as research professor of Institute of Global Economics and Finance, The Chinese University of Hong Kong. Since March 2003, Mr. Liu has served as a director of Hong Kong Institute of Monetary Research under the HKMA. Since November 1998, September 2011 and March 2015, Mr. Liu is an independent non-executive director of Hang Lung Properties Limited (listed on the Hong Kong Stock Exchange, stock code: 00101), Transport International Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 00062) and Hang Lung Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00010), respectively. Mr. Liu was awarded the Hong Kong Silver Bauhinia Star in July 1999 and was appointed Hong Kong Justice of the Peace in July 2006.

Mr. Liu graduated from Stanford University in the U.S.A. in January 1977 and obtained a PhD degree in economics.

Mr. Liu was a director of Master Wide International Limited and Meson Consultants Limited which were incorporated in Hong Kong, immediately before their dissolution on March 15, 2002 and October 11, 2002, respectively. The two companies were dissolved by way of striking-off. Mr. Liu confirmed that (i) there is no wrongful act on his part leading to the dissolution of the two companies; (ii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution; (iii) his involvement in the two companies was part and parcel of his services as a director of the two companies; and (iv) no misconduct or misfeasance had been involved in the dissolution of the two companies.

Our Bank is of the view that the dissolution of the two Hong Kong companies will not affect Mr. Liu's ability to perform his fiduciary obligations as a director of our Bank pursuant to Rule 3.08 of the Listing Rules. In addition, according to Rule 3.09 of the Listing Rules, he is competent in performing the duties of a Director of our Bank.

ZHENG Jindu (**鄭金都**) is currently an Independent Non-executive Director of our Bank. Mr. Zheng joined our Bank in December 2015. Main experience of Mr. Zheng includes: from August 1989 to June 1996, he was a lecturer at the Faculty of Law of Hangzhou University (now known as

Zhejiang University), among which period he served as visiting scholar from September 1993 to September 1994 at the School of Law at the University of Missouri; from July 1996 to November 1998, he held the position of vice director and partner of Zhejiang Guoqiang Law Firm (浙江國強律師事務所); since December 1998 till now, he has been director and partner of Zhejiang L&H Law Firm. From July 2009 to July 2015, Mr. Zheng held the position of independent director of Changjiang & Jinggong Steel Building (Group) Co., Ltd (listed on the Shanghai Stock Exchange, stock code: 600496). Since August 2014 till now, he has also been an independent director of HangZhou ShenHao Technology CO., Ltd. (traded on the National Equities Exchange and Quotations, code: 833306).

Mr. Zheng obtained a master's degree majoring in Economic Law from Hangzhou University (now known as Zhejiang University) in July 1989. In November 2004, he was qualified as a first grade lawyer by Zhejiang Provincial Personnel Department.

SUPERVISOR

Our Board of Supervisors consists of 12 supervisors, including four Shareholder Representative Supervisors, four Employee Representative Supervisors and four External Supervisors.

Certain information of the Supervisors is listed in the following table:

Name	Age	Position/Title	Date of joining our Bank	Date of appointment as Supervisor	Responsibilities
YU Jianqiang (于建強)	54	Shareholder Representative Supervisor, Chairman of the Board of Supervisors	February 2015	February 2015	In charge of overall management of Board of Supervisors and monitoring the finance and operation of our Bank on behalf of shareholders
TAO Xuegen (陶學根)	62	Shareholder Representative Supervisor	June 2005	February 2015	Monitoring the finance and operation of our Bank on behalf of shareholders
ZHOU Yang (周洋)	27	Shareholder Representative Supervisor	February 2015	February 2015	Monitoring the finance and operation of our Bank on behalf of shareholders
HUANG Haibo (黃海波)	38	Shareholder Representative Supervisor	December 2015	December 2015	Monitoring the finance and operation of our Bank on behalf of shareholders
ZHENG Jianming (鄭建明)	43	Employee Representative Supervisor, Vice Chairman and Office Director of Board of Supervisors	June 2013	February 2015	Assisting Chairman of the Board of Supervisors to manage general work of Board of Supervisors and monitoring the finance and operation of our Bank on behalf of employees of our Bank

Name	Age	Position/Title	Date of joining our Bank	Date of appointment as Supervisor	Responsibilities
DONG Zhoufeng (董舟峰)	58	Employee Representative Supervisor	March 2004	August 2010	Monitoring the finance and operation of our Bank on behalf of employees of our Bank
GE Lixin (葛立新)	49	Employee Representative Supervisor	July 2004	August 2010	Monitoring the finance and operation of our Bank on behalf of employees of our Bank
ZHANG Rulong (張汝龍)	50	Employee Representative Supervisor	July 2004	February 2015	Monitoring the finance and operation of our Bank on behalf of employees of our Bank
JIANG Zhihua (蔣志華)	72	External Supervisor	May 2004	August 2010	Responsible for monitoring the finance and operation of our Bank
YUAN Xiaoqiang (袁小強)	53	External Supervisor	February 2015	February 2015	Responsible for monitoring the finance and operation of our Bank
HUANG Zuhui (黃祖輝)	63	External Supervisor	February 2015	February 2015	Responsible for monitoring the finance and operation of our Bank
WANG Jun (王軍)	45	External Supervisor	February 2015	February 2015	Responsible for monitoring the finance and operation of our Bank

YU Jianqiang (于建強) is currently the Chairman of the Board of Supervisors and a Shareholder Representative Supervisor of our Bank. Mr. Yu joined our Bank in February 2015. Main experience of Mr. Yu includes: from January 1985 to December 2002, he worked successively in the Communist Youth League of Zhejiang Provincial Party Committee as executive secretary and vice section chief of the propaganda department, general secretary and vice chairman of Zhejiang Youth United Association, from January 2003 to October 2009, he successively worked as section vice chief and chief in the Office of the Food and Drug Administration of Zhejiang (during which period he worked as director of planning and finance department from October 2003 to December 2005); from December 2009 to February 2015, he worked as assistant to chief executive officer of Minsheng Life Insurance Company Ltd.

Mr. Yu graduated from Zhejiang Provincial Party School majoring in Administration Management in July 2002 (part-time postgraduate).

TAO Xuegen (陶學根) is currently a Shareholder Representative Supervisor of our Bank. Mr. Tao joined our Bank in June 2005 and served as Director of our Bank from June 2005 to February 2015. Since February 2015, Mr. Tao has been Shareholder Representative Supervisor of our Bank. Main experience of Mr. Tao includes: from June 2004 till now, he has been serving as deputy secretary of CPC committee of Lizi Group Co., Ltd., a shareholder of our Bank.

Mr. Tao graduated from East China University of Political Science and Law majoring in Law (correspondence) in July 1991.

ZHOU Yang (周洋) is currently a Shareholder Representative Supervisor of our Bank. Mr. Zhou joined our Bank in February 2015. Main experience of Mr. Zhou includes: from October 2006 to July 2011, he served as assistant to financing manager of Zhejiang Yongli Industry Group Co., Ltd.; since May 2014, he has been the vice general manager of Zhejiang Yongli Industry Group Co., Ltd., a shareholder of our Bank.

Mr. Zhou studied at the University of Delaware in the U.S.A..

HUANG Haibo (黃海波) is currently a Shareholder Representative Supervisor. Mr. Huang joined our Bank in December 2015. Main experience of Mr. Huang includes: from August 2000 to May 2001, he worked as financial accountant in Zhejiang Rifa Textile Machinery Co., Ltd.; from June 2001 to June 2004, he worked as financial officer in Shanghai Rifa Digital System Co., Ltd; from July 2004 to June 2013, he worked as financial manager in Zhejiang RIFA Holding Group Co., Ltd; since July 2013 till now, he has been chief financial officer in Zhejiang RIFA Holding Group Co., Ltd., a shareholder of our Bank.

Mr. Huang obtained a bachelor's degree in management with major in Accounting (International Accounting) from Hunan University of Commerce in June 2000. In May 2005, he was qualified as an intermediate accountant by Ministry of Finance.

ZHENG Jianming (鄭建明) is currently an Employee Representative Supervisor, Vice Chairman and Office Director of the Board of Supervisor. Mr. Zheng joined our Bank in June 2013. Main experience of Mr. Zheng includes: from July 1994 to May 2004, he worked successively as office secretary of Zhejiang Provincial Branch of PBOC, office secretary and vice director of the secretary section of Hangzhou Central Branch of PBOC; from June 2004 to May 2013, he successively held the positions of vice division chief, vice research analyst (secretary for confidential information) and research analyst (secretary for confidential information), Zhejiang Provincial General Office of the People's Government; from June to August 2013, he worked at office of the Board of Supervisors of our Bank, and since August 2013 to now, he has been the Office Chief; since February 2015 to now, he is an Employee Representative Supervisor and Vice Chairman of the Board of Supervisors.

Mr. Zheng graduated from the Party School of the Central Committee majoring in Economics in July 2008. In November 2001, he was qualified as an economist granted by the Ministry of Personnel of the State Council.

DONG Zhoufeng (董舟峰) is currently an Employee Representative Supervisor of our Bank. Mr. Dong joined our Bank in March 2004. Main experience of Mr. Dong includes: from August 1980 to May 2000, he successively held the positions of vice subsection chief of planning subsection of Dinghai County Sub-branch of PBOC; clerk, section chief, president assistant and head of planning section, president assistant and director of general office, vice president of branch and vice director of Administration of Foreign Exchange Bureau, president and director of Administration of Foreign Exchange Bureau, member and secretary of party committee of Zhoushan Branch of PBOC; from June 2000 to March 2004, he served as president assistant of Hangzhou Branch of CITIC Industrial Bank (now known as CITIC Bank Corporation Limited) and president of Ningbo sub-branch. After he joined our Bank, he worked in Preparation and Coordination Working Group of our Bank from March 2004 to July 2004; from July 2004 till now, he served successively as deputy director of executive office of our Bank and executive manager of management center, general manager of human resource department, vice secretary of CPC committee of head office of our Bank, member of commission for discipline inspection, director of Department of CPC Affairs, director of organization department of CPC committee and Supervisor of our Bank.

Mr. Dong graduated from Hangzhou University (now known as Zhejiang University) majoring in Economics and Management in September 1998. He graduated from the Correspondence School of the Party School of Central Committee majoring in Economics and Management in December 2000. In August 1994, he was qualified as a senior economist by the PBOC.

GE Lixin (葛立新) is currently an Employee Representative Supervisor of our Bank. Mr. Ge joined our Bank in July 2004. Main experience of Mr. Ge includes: from August 1986 to April 2004, he worked at personnel division, funds raising division, Trust and Investment Company, direct sub-branch (Yan'an Road sub-branch), market development division and corporate business division of Zhejiang Branch, Agricultural Bank of China; since July 2004 till now, Mr. Ge has successively held the posts of executive manager, assistant to general manager and vice general manager of business management department of our Bank, during which period he held concurrent posts of vice general manager of small business credit center and vice general manager of corporate banking department; and vice general manager and general manager of development and research department, during which period he also held concurrent positions of vice general manager of small business credit center and vice general manager of planning and finance department and general manager of asset and liability department of the head office of our Bank.

Mr. Ge graduated from Zhejiang Academy of Bank (now known as Zhejiang Financial College) majoring in Rural Finance in July 1986. In July 1991, he graduated from Zhejiang Radio & Television University majoring in Finance, and he graduated from Zhejiang University majoring in Monetary Banking in July 1999.

ZHANG Rulong (張汝龍) is currently an Employee Representative Supervisor of our Bank. He joined our Bank in July 2004. Main experience of Mr. Zhang includes: from August 1986 to April 2004, he worked at Shaoxing sub-branch, Zhejiang provincial branch, credit and loan management division of provincial branch, Zhejiang Rongda Information Inquiry Company and Shaoxing branch of Agricultural Bank of China, etc; since July 2004, Mr. Zhang has successively served as vice general manager of risk management department of the head office, vice general manager and general manager of credit assessment department of the head office, president of Chengdu branch and Supervisor of our Bank.

Mr. Zhang graduated from Zhejiang Jinhua Supply and Marketing School (now known as School of Economics and Management of Jinhua Polytechnic) majoring in Finance and Accounting in July 1986. In June 1990, he graduated from Commercial Enterprise Management Programme (Self-taught Examination) of Hangzhou Institute of Commerce and graduated from Zhejiang University majoring in Monetary Banking in July 1999.

JIANG Zhihua (蔣志華) is currently an External Supervisor of our Bank. Mr. Jiang joined our Bank in May 2004. From May 2004 to August 2010, he served as independent Director of our Bank. Since August 2010 he has been External Supervisor of our Bank. Main experience of Mr. Jiang includes: from April 1982 to August 1983 he served as vice president of Zhenhai County sub-branch of Agricultural Bank of China; from September 1983 to November 1990, he held successively the positions of vice president and president of Ningbo branch of Agricultural Bank of China; from

November 1990 to February 2002, he successively held the positions of vice president and president of Zhejiang provincial branch of Agricultural Bank of China.

Mr. Jiang graduated from Tianjin Institute of Finance and Economics (now known as Tianjin University of Finance and Economics) in January 1985. He was qualified as a senior economist by the Agricultural Bank of China in January 1991.

YUAN Xiaoqiang (袁小強) is currently an External Supervisor of our Bank. Mr. Yuan joined our Bank in February 2015. Main experience of Mr. Yuan includes: from May 1998 to December 1999, he held the position of vice director of Hangzhou Tax Agency of Zhejiang; since January 2000, he has been the senior partner of Zhonghui Tax Agency and Zhonghui Accounting Firm. Mr. Yuan is also a member of Chinese People's Political Consultative Conference of Zhejiang, executive director of the Chinese Certified Tax Agents Association, vice chairman and director of Standards Committee of Certified Tax Agents Association of Zhejiang and vice chairman of Zhejiang Province Intellectuals Fellowship.

Mr. Yuan graduated from Zhejiang University (remote education) in July 2001 majoring in Business Administration. He graduated from Zhejiang University majoring in Executive Business Administration and obtained a master's degree in Executive Business Administration in June 2005. In October 1999, he obtained the qualification of Registered Tax Agent. Mr. Yuan was qualified as a senior accountant by Zhejiang provisional personnel department in December 2002. He obtained the qualification of Certified Accountant in March 2006.

HUANG Zuhui (黃祖輝) is currently an External Supervisor of our Bank. Mr. Huang joined our Bank in February 2015. Main experience of Mr. Huang includes: since September 1998, he has been the professor and doctoral supervisor of Agricultural Economical Management Department, Management School, Zhejiang University. Mr. Huang is also vice chairman of Chinese Rural Cooperative Economic Management Institute.

Mr. Huang obtained a bachelor's degree majoring in Agricultural Economics and Management (Financial Accounting) from Heilongjiang Bayi Agricultural University in January 1982. He obtained a master's degree majoring in Agricultural Economics and Management from Zhejiang Agricultural University in July 1986.

WANG Jun (王軍) is currently an External Supervisor of our Bank. Mr. Wang joined our Bank in February 2015. Main experience of Mr. Wang includes: from July 2003 to November 2009, he worked at Central Policy Research Office and served as vice division chief and division chief from July 2004 and April 2009, respectively; Since 2009 till now, he worked successively as director of macroeconomic research department, vice director (in charge) of consultation research department, vice director (in charge) of information department of China International Economic Exchanges.

Mr. Wang obtained a bachelor's degree in Engineering majoring in Industrial Engineering Management from North China University of Technology in July 1992. In January 2000, he graduated from Central University of Finance and Economics majoring in Planning and Management of National Economy, and obtained a master's degree in Economics in April 2000. In June 2003, he graduated from Central University of Finance and Economics majoring in National Economics, and obtained a doctor's degree in Economics in July 2003. From July 2008 to December 2010, Mr. Wang conducted postdoctoral research in Tehua Investment Holding Co., Ltd. Mr. Wang was granted the title of associate researcher by the NDRC in December 2010.

SENIOR MANAGEMENT

Certain information of the Senior Management of our Bank is listed in the following table:

Name	Age	Position/Title	Date of joining our Bank	Date of appointment as Senior Management	Responsibilities
LIU Xiaochun (劉曉春)	56	Executive Director, Vice Chairman, President	July 2014	August 2014	Responsible for operations of our Bank, in charge of executive office, human resource department and development & planning department
XU Renyan (徐仁艷)	50	Executive Director, Vice President	May 2004	July 2004	In charge of corporate banking department, international business department, VIP clients department and operations management department of our Bank
YE Jianqing (葉建清)	53	Vice President	January 2004	July 2004	In charge of investment banking department, credit assessment department, risk management department, VIP clients department (Beijing), logistics support department (security department) and financial market risk management department
CHEN Chunxiang (陳春祥)	53	Vice President	December 2003	July 2004	In charge of small enterprise credit center, asset custody department, special assets department, internal control & compliance & legal affair department, assisting the President in coordinating executive office and human resource department

Name	Age	Position/Title	Date of joining our Bank	Date of appointment as Senior Management	Responsibilities
ZHANG Changgong (張長弓)	50	Vice President	January 2015	January 2015	In charge of financial markets department, capital markets department, financial institutions department and asset management department
XU Manxuan (徐蔓萱)	52	Vice President	September 2002	January 2016	In charge of asset and liability management department and finance & accounting department, assisting the President in coordinating development & planning department
FENG Jiansong (馮劍松)	53	President Assistant	November 2008	February 2009	In charge of Beijing branch
WU Jianwei (吳建偉)	45	President Assistant	March 2015	March 2015	In charge of personal banking department, credit card department, internet finance department and information and technology department
LIU Long (劉龍)	50	Secretary of the Board, Joint Company Secretary, Head of Board of Directors Office	September 2014	November 2014	In charge of organizing shareholders' general meetings, meetings of the Board of Directors and other ancillary matters and monitoring disclosure of information by the Bank

LIU Xiaochun (劉曉春) is currently an Executive Director, Vice Chairman and President of our Bank. For personal details, see "—Directors".

XU Renyan (徐仁艷) is currently an Executive Director and Vice President of our Bank. For personal details, see "—Directors".

YE Jianqing (葉建清) is currently the Vice President of our Bank. Mr. Ye joined our Bank in January 2004. Mr. Ye has over 36 years of experience in the banking industry. Main experience of Mr. Ye includes: from December 1979 to October 1983, he worked as clerk of Shouchang business office, Zhejiang Province Jiande County sub-branch, Agricultural Bank of China; from June 1987 to June 1988, he was a teacher of Zhejiang Bank School (now known as Zhejiang Financial College). From July 1988 to June 1990 he held the position of vice division chief of finance division, Zhejiang Bank School; from June 1990 to September 1992, he served as director of experiment urban credit cooperative of Zhejiang Bank School; from September 1992 to June 1995, he served as general manager of experiment bank of Zhejiang Bank School; from June 1995 to May 2004, he successively held the positions of vice manager and manager of planning credit and loan department, Hangzhou branch, CITIC Industrial Bank, president assistant of Hangzhou branch, and concurrently president of Tianshui sub-branch, Party Committee member, vice president, and secretary of Commission for Disciplinary Inspection; after he joined our Bank, Mr. Ye worked in preparation and coordination group of our Bank from January 2004 to July 2004; from July 2004 to September 2007, he was president assistant of our Bank, and concurrently as general manager of risk management department, during which period Mr. Ye was also party committee member of our Bank from October 2004 to September 2007; from September 2007 to May 2010, he was Vice President, CPC party committee member and general manager of risk management department of our Bank; since May 2010 till now, he has been serving as Vice President and CPC party committee member of our Bank.

Mr. Ye graduated from Shanxi Institute of Finance and Economics (now known as Xi'an Jiaotong University) in June 1987 majoring in Finance and obtained a college diploma. In July 2002, he graduated from CPC Zhejiang Provincial Party School majoring in Political Economics. In December 2005, he was qualified as a senior economist by Zhejiang Provincial Senior Economist Review Committee.

CHEN Chunxiang (陳春祥) is currently Vice President of our Bank. Mr. Chen joined our Bank in December 2003. Mr. Chen has over 34 years of experience in the banking industry. Main experience of Mr. Chen includes: from August 1981 to March 1984, he held the positions of accounting instructor and vice director of Mogan business office, Deqing County, Agricultural Bank of China; from April 1984 to May 1991, he served as vice president of Deqing County sub-branch, Agricultural Bank of China; from June 1991 to September 1994, he held the position of acting president and president of Changxing County sub-branch, Agricultural Bank of China; from October 1994 to August 1996, he was vice president of Huzhou branch, Agricultural Bank of China; from September 1996 to September 1998, he served as director of preparation office for the establishment of sub-branch directly under Zhejiang provincial branch, Agricultural Bank of China and president of the direct sub-branch; from October 1998 to March 2001, he held the position of division chief of market development division, Zhejiang provincial branch of Agricultural Bank of China; from April 2001 to December 2003, he served as division chief of corporate business division and agricultural credit division, Zhejiang provincial branch of Agricultural Bank of China; after Mr. Chen joined our Bank, he worked in Preparation and Coordination Group of our Bank from December 2003 to July 2004; from July 2004 to June 2007, he served as president assistant, general manager of business management department; from March 2007 to September 2007, he held the positions of president assistant and general manager of corporate banking department of our Bank; from September 2007 to November 2015, he held the positions of Vice President, director of labor union working committee and secretary of CPC committee of the authority of head office of our Bank; since November 2015, he has been Vice President of our Bank. Since October 2004 till now, Mr. Chen has been a CPC party committee member of our Bank.

Mr. Chen graduated from Shanghai College of Agriculture in July 1989 majoring in Rural Finance with a college diploma. He graduated from Zhejiang University in June 2002 majoring in Administration Management. In October 1995, he was qualified as a senior economist by Agricultural Bank of China.

ZHANG Changgong (張長弓) is currently Vice President of our Bank. Mr. Zhang joined our Bank in January 2015. He has over 20 years of experience in the banking industry. Main experience of

Mr. Zhang includes: from May 1987 to September 1991, he worked for Foreign Trade & Economy Commission, Bengbu, Anhui; from October 1991 to May 1993, he worked for Nanchang Municipal Government Office of Jiangxi; from January 1996 to December 1997, he successively held the posts of assistant to general manager and vice general manager of personnel supervision department of Great Wall Securities Limited; from December 1997 to January 2002, he successively held the positions of vice general manager, general manager, party committee member and vice president of general affairs department, Shenzhen branch of Industrial Bank Co., Ltd; from January 2002 to November 2009, he served as secretary of CPC committee and president of Guangzhou branch of Industrial Bank Co., Ltd; from November 2009 to May 2010, he was secretary of CPC committee and president of Nanjing branch of Industrial Bank Co., Ltd; from June 2010 to October 2010, he was the primary responsible officer of preparation group for reorganization and re-establishment of Guangdong Huaxing Bank; from November 2010 to May 2011, he held the position of vice president of management head office of retail banking, Industrial Bank Co., Ltd; from May 2011 to December 2012, he held the positions of vice president of management head office of retail banking and general manager of personal banking department, Industrial Bank Co., Ltd; from December 2012 and May 2013, he was appointed as secretary of CPC committee and president of Hangzhou branch of Industrial Bank Co., Ltd., respectively; after he joined our Bank, he has been Vice President and CPC party committee member of our Bank since January 2015 and July 2015, respectively.

Mr. Zhang obtained a bachelor's degree majoring in Business Accounting from Anhui Commerce Institute (now known as Anhui Finance and Economics University) in July 1985. He obtained a master's degree in Management from Central South University of Technology in December 1998. He obtained a doctor's degree in Law majoring in Legal Theory from Sun Yat-sen University in June 2011.

XU Manxuan (**徐蔓萱**) is currently Vice President of our Bank (pending the approval of the CBRC on senior management qualification as of the Latest Practicable Date). Mr. Xu joined our Bank in September 2002. He has over 34 years of experience in the banking industry. Main experience of Mr. Xu includes: from August 1981 to May 2004, he worked in Zhejiang provincial branch, Agricultural Bank of China, during which he served as clerk at the accountant and cashier division from August 1981 to December 1991; from December 1991 to September 1993, he served as vice section chief of finance infrastructure office, accountant and cashier division; from September 1993 to April 1995, he was section chief of finance infrastructure office, accountant and cashier division; from April 1995 to June 1997, he was vice division chief of accountant and finance division; from June 1997 to January 1999, he served as vice director of inspection office; from January 1999 to May 2004, he held the position of vice director of inspection division (division-level), Zhejiang provincial branch, Agricultural Bank of China; after joining our Bank, from September 2002 to July 2004, he worked in Preparation and Coordination Working Group of our Bank; from July 2004 to December 2007, he served as general manager of planning finance department of our Bank; from December 2007 to January 2015, he worked as President Assistant and general manager of planning finance department of our Bank; since May 2011 till now, he serves as a CPC party committee member of our Bank; from February 2015 to January 2016, he served as President Assistant of our Bank; since January 2016 till now, he has been Vice President of our Bank.

Mr. Xu graduated from Zhejiang Agricultural University with a college diploma in July 1998 majoring in Finance. He graduated from Zhejiang University in June 2002 majoring in Administration Management (correspondence). In December 1996, he was qualified as a senior economist by Agricultural Bank of China.

FENG Jiansong (馮劍松) is currently President Assistant of our Bank and President of Beijing Branch. Mr. Feng joined our Bank in November 2008. He has over 25 years of working experience in the banking industry. Main experience of Mr. Feng includes: from October 1990 to November 1996, he worked as a cadre of Nanjing branch, CITIC Industrial Bank and sub-manager of credit sub-division I, during which period he worked as the head of business department of Nanjing branch, head and deputy director of Xinjiekou office and vice president of Xinjiekou sub-branch since August 1993; from November 1996 to January 2000, he served as vice manager of business department of Nanjing branch, China Merchants Bank, during which he was manager of business department from July 1997; from January 2000 to March 2000, he served as head of preparation group of Nanjing branch, China Minsheng Bank; from March 2000 to June 2001, he worked as vice general manager of credit business department and vice general manager of corporate business department (in charge) of China Minsheng Bank; from June 2001 to December 2008, he served as general manager of corporate business department and corporate business department division I and group leader of Shaanxi International Trust and Investment working group of China Minsheng Bank; after Mr. Feng joined our Bank, he worked as general manager of Beijing business department of our Bank from December 2008 to May 2009; from February 2009 to May 2011, he was President Assistant of our Bank and from May 2009, acted as President of Beijing Branch; since May 2011 till now, he has been President Assistant and CPC party committee member of our Bank and President of the Beijing Branch of our Bank.

Mr. Feng graduated from Fudan University in July 1986 and obtained a master's degree majoring in Political Economics. In August 1997, Mr. Feng was qualified as a senior economist by Industrial and Commercial Bank of China.

WU Jianwei (吳建偉) is currently President Assistant of our Bank. Mr. Wu joined our Bank in March 2015. Mr. Wu has over 22 years of experience in the banking industry. Main experience of Mr. Wu includes: he worked in Zhejiang provincial branch, Agricultural Bank of China from July 1993 to September 2010. Specifically, from July 1993 to April 2001, he successively held the positions of vice section chief of application development section of information and technology department I, section chief and assistant to director of sales development department; from April 2001 to December 2005, he served as vice director of data operation center; from December 2005 to May 2009, he held the position of vice division chief (in charge) of e-bank division and division chief of E-bank division; from May 2009 to September 2010, he was general manager of E-bank department; from September 2010 to September 2013, he was secretary of CPC Committee and president of Wenzhou branch, Agricultural Bank of China; from September 2013 to March 2015, he served as CPC party committee member and president assistant of Inner Mongolia Autonomous Region branch of Agricultural Bank of China; since March 2015 till now, he is President Assistant of our Bank.

Mr. Wu obtained a bachelor's degree in Engineering majoring in Computer and Application from Guilin University in June 1993. In June 2005, he obtained a master's degree in Political Economics from Zhejiang University. In December 2002, he was qualified as a senior engineer by Agricultural Bank of China.

LIU Long (劉龍) is currently Secretary of the Board, joint company secretary and head of Board of Directors Office of our Bank. Mr. Liu joined our Bank in September 2014. Main experience of Mr. Liu includes: from September 1982 to December 1995, he worked at finance and tax bureau of Changshan County, Zhejiang, during which period he served as vice director and CPC party member from June 1993; from December 1995 to April 1998, he served as secretary of CPC party committee of Tianma Town, Changshan County, Zhejiang; from April 1998 to October 1998, he held the positions of director of planning and economy committee and secretary of CPC committee of Changshan County, Zhejiang; from October 1998 to December 2002, he served as vice director and CPC committee member of auditing bureau of Quzhou City, Zhejiang; from December 2002 to May 2009, he held the posts of county CPC standing committee member of Changshan County, Zhejiang, as well as vice county chief of Changshan County People's Government; from May 2009 to January 2010, he was vice secretary of CPC county committee and vice county chief of Changshan County, Zhejiang; from January 2010 to April 2011, he worked as vice secretary of CPC county committee of Changshan County, Zhejiang; from April 2011 to November 2011, he held the position of vice secretary of CPC county committee of Changshan County, Zhejiang and chairman of People's Political Consultative Conference of Changshan County, Zhejiang; from November 2011 to August 2013, he was director of the economic and information committee and the secretary of CPC committee of Quzhou City, Zhejiang; from September 2013 to September 2014, he worked as vice secretary general and executive office director of Quzhou Municipal Government, Zhejiang; after he joined our Bank, Mr. Liu has been the director of CPC committee office since September 2014; the secretary of the Board of Directors and the head of Board of Directors Office since November 2014, and the joint company secretary of the Bank since June 2015.

Mr. Liu graduated from National University of Defense Technology in June 2004 majoring in Economics Management. In April 2005, he was qualified as a senior accountant by the Assessing Panel of High Level Duties of Professional Accountants of Zhejing.

JOINT COMPANY SECRETARY

LIU Long (劉龍) is one of the joint company secretaries of our Bank. He was appointed in June 2015. For personal details, see "—Senior Management."

WONG Yat Tung (黃日東) is one of the joint company secretaries of our Bank. He was appointed in July 2015 and his appointment will come into effect on the Listing Date. Mr. Wong has approximately seven years of rich experience in providing company secretary service for various private companies and listed companies. From March 2008 to June 2009, he served as company secretary assistant in Top World Secretarial Limited (a company providing corporate services). From October 2009 to November 2011, he worked as company secretary assistant in FIH (Hong Kong) Ltd., a wholly-owned subsidiary of FIH Mobile Limited (listed on the Hong Kong Stock Exchange, stock code: 02038). From December 2011 to May 2012, he became company secretary of Golden Capital (Asia) Limited (a company providing corporate services). From June 2012 to May 2013, he was appointed as assistant company secretary of Golden Capital (Asia) Limited (now known as Integrated Waste Solutions Group Holdings Limited, listed on Hong Kong Stock Exchange; stock code: 00923). Mr. Wong has joined SW Corporate Services Group Limited since July 2013 and currently serves as a manager. He has also been company secretary of Wonderful Sky Financial Group Holdings Limited (listed on the Hong Kong Stock Exchange; stock code: 01260) since April 2015.

Mr. Wong obtained a bachelor's degree with honor in Quantitative Analysis for Business from City University of Hong Kong in December 1996 and obtained a master's degree in Corporate Governance from The Hong Kong Polytechnic University in October 2009. Mr. Wong also became a member of Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators in December 2009.

SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

There are four special committees under the Board of Directors, namely strategic committee, audit committee, risk and related party transactions control committee and nomination and remuneration committee.

Strategic Committee

We have set up strategic committee with written terms of reference. The strategic committee consists of seven Directors, i.e. Mr. SHEN Renkang, Mr. LIU Xiaochun, Mr. WANG Mingde, Mr. ZHENG Xinli, Mr. DAI Deming, Mr. LIU Pak Wai and Ms. LOU Ting. Among them, Mr. SHEN Renkang is Chairman of the committee; Mr. LIU Xiaochun and Mr. WANG Mingde are Vice Chairmen of the committee. The main functions and powers of the strategic committee include but are not limited to the following:

(1) preparation of business objectives, mid- to long-term development plans and development strategies of our Bank;

(2) supervision and inspection of the implementation of annual business plans and investment programs; and

(3) other matters authorized by the Board.

Audit Committee

We have set up audit committee with written terms of reference and in compliance with the Listing Rules. The audit committee consists of five Directors, i.e. Mr. JIN Xuejun, Mr. TONG Benli, Mr. YUAN Fang, Ms. SHEN Xiaojun and Mr. HU Tiangao. Among them, Mr. JIN Xuejun is Chairman of the committee. The main functions and powers of the audit committee include but are not limited to the following:

(1) inspection of accounting policies, financial position and financial reporting procedures of our Bank, and inspection of risk and compliance status;

(2) recommendation for hiring or replacing external auditor;

(3) supervision for internal audit system of our Bank and its implementation;

(4) in charge of communication between internal audit and external audit;

(5) review of our Bank's financial information and its disclosure and preparation of diagnostic report for the authenticity, accuracy, completeness and timeliness of the audited financial reporting information, which should be submitted to Board of Directors by the committee for consideration; and

(6) other matters stipulated in relevant laws, regulations, rules, stipulations of securities regulatory authority of listing location of our Bank and authorized by Board of Directors.

Risk and Related Party Transaction Control Committee

We have set up risk and related party transactions control committee with written terms of reference. The risk and related party transactions control committee consists of three Directors, namely Mr. YUAN Fang, Mr. TONG Benli and Ms. GAO Qinhong. Among them, Mr. YUAN Fang is

Chairman of the committee. The main functions and powers of the risk and related party transactions control committee include but are not limited to the following:

(1) supervision for the situation of risk control conducted by the senior management of our Bank;

(2) assessment for risk situation of our Bank;

(3) preparation of recommendations to improve risk management and internal control of our Bank;

(4) review and approval of general related party transaction of our Bank or acceptance of the filing of general related party transaction;

(5) review and approval for major related party transactions of our Bank or the transactions which are subject to reporting, announcement and/or independent shareholders' approvals under the relevant stipulations of securities regulatory authority of listing location of our Bank, which shall be submitted to the Board of Directors by the committee for approval; and

(6) other matters authorized by the Board.

Nomination and Remuneration Committee

We have set up nomination and remuneration committee with written terms of reference in compliance with the Listing Rules. The nomination and remuneration committee consists of three Directors, i.e. Mr. TONG Benli, Mr. JIN Xuejun and Mr. ZHENG Jindu. Among them, Mr. TONG Benli is Chairman of the committee. The main functions and powers of the nomination and remuneration committee include but are not limited to the following:

(1) recommendation to the Board of Directors based on the operation situation, asset size and share structure of our Bank;

(2) preparation of selection and appointment criteria and procedures for Directors and senior management members and recommendation to the Board of Directors;

(3) proposal candidates for Chairman and Vice Chairman to Board of Directors; provision review comments on the candidates of Directors and senior management members including President, Vice President, Secretary of the Board, Financial Principal and etc.;

(4) preparation of remuneration policies and plans for Directors and senior management members and recommendation to the Board of Directors; and

(5) other matters stipulated in relevant laws, administrative regulations, rules, stipulations of securities regulatory authority of listing location of our Bank and authorized by the Board of Directors.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Bank offers our Executive Directors, Employee Representative Supervisors and senior management members, who are also employees of our Bank, compensation in the form of salaries, bonuses, pensions, housing allowance and subsidies and other benefits. Our Independent Non-executive Directors and External Supervisors receive compensation based on their responsibilities.

For the financial years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the aggregate amount of remunerations paid by our Bank to our Directors and Supervisors are RMB15.66 million, RMB15.60 million, RMB15.09 million and RMB9.69 million, respectively.

For the financial years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the aggregate amount of remunerations paid by our Bank to the five highest paid individuals are approximately RMB22.66 million, RMB26.13 million, RMB25.68 million and RMB13.85 million, respectively.

No remuneration was paid to the Directors or the five highest paid individuals of our Bank as an inducement to join, or upon joining, our Bank. No compensation was paid to, or is receivable by, our Directors, past Directors or the five highest paid individuals during the Track Record Period for the loss of office as our director or of any office in connection with the management of the affairs of our Bank. None of the Directors waived any emoluments during the same period.

According to the arrangements that are in force as of the Latest Practicable Date, we estimate that for the financial year ending December 31, 2016, remunerations with an aggregate amount of approximately RMB20.23 million will be paid and granted to our Directors and Supervisors.

Save as disclosed above, for the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, we did not make any other payment to Directors nor there exists any payment which should be paid to them.

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Except as disclosed in this prospectus, each of the Directors and Supervisors and members of senior management (i) did not hold any other position in our Bank as of the Latest Practicable Date; (ii) had no other relationship with any Directors, Supervisors and members of senior management or substantial shareholder of our Bank as of the Latest Practicable Date; and (iii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, none of the Directors, Supervisors or members of senior management hold interests in the Domestic Shares within the meaning of the Part XV of the SFO.

Except as disclosed in this prospectus, to the best of the knowledge, information and belief of our Directors, having made all reasonable inquiries, there were no additional matters with respect to the appointment of our Directors, Supervisors and senior management that need to be brought to the attention of the shareholders and there was no additional information relating to our Directors, Supervisors and senior management that are required to be disclosed pursuant to Rules 13.51 (2)(h) to (v) of the Listing Rules.

COMPLIANCE ADVISOR

Under Rule 3A.19 of the Listing Rules, we have appointed ABCI Capital Limited as our compliance advisor. According to Rule 3A.23 of the Listing Rules, the compliance advisor shall advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

- where our Bank proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, development or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of Shares of our Bank, the possible false market or any other matters.

The terms of appointment of the compliance advisor will commence on the Listing Date and end on the date when we distribute the annual report of our financial results for the first full year commencing after the Listing Date.

As of the Latest Practicable Date, our share capital was RMB14,509,696,778 comprising 14,509,696,778 Domestic Shares. The following persons directly or indirectly control, or are entitled to exercise, or control the exercise of, 5% or more of our Domestic Shares as of the Latest Practicable Date:

Name of Shareholders	Number of Shares directly held	Approximately percentage of interest in the issued share capital as of the Latest Practicable Date	Approximately percentage of aggregate interest in the issued share capital as of the Latest Practicable Date
Zhejiang Provincial Financial Holdings Co., Ltd.	2,896,554,555	19.96%	19.96%
Minsheng Life Insurance Company Ltd.	803,226,036	5.5%	9.3%[(1)]
China Wanxiang Holding Co., Ltd.	543,710,609	3.8%	
Traveller Automobile Group	1,346,936,645	9.3%	9.3%
Zhejiang Hengyi Group Co., Ltd.	494,655,630	3.4%	
Zhejiang Hengyi High-tech Material Co., Ltd.	508,069,283	3.5%	8.6%[(2)]
Zhejiang Hengyi Petrochemical Co., Ltd.	240,000,000	1.7%	
Hengdian Group Holdings Limited	1,242,724,913	8.6%	8.6%
Guangsha Holding Group Co., Ltd.	457,005,988	3.2%	
Zhejiang Dongyang Third Construction Co., Ltd.	354,480,000	2.4%	6.6%[(3)]
Zhejiang Guangsha Co., Ltd.	143,169,642	1.0%	
Zhejiang Provincial Energy Group Co., Ltd.	917,555,579	6.3%	6.3%
Xizi Elevator Group Co., Ltd.	499,708,035	3.4%	6.1%[(4)]
Shanghai Xizi United Investment Co., Ltd.	380,838,323	2.6%	
Zhejiang China Light & Textile Industrial City Group Co., Ltd.	457,816,874	3.2%	5.4%[(5)]
Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd.	330,504,710	2.3%	

Notes:

(1) Minsheng Life Insurance Company Ltd. is held as to 37.32% China Wanxiang Holding Co., Ltd.. China Wanxiang Holding Co., Ltd. and Minsheng Life Insurance Company Ltd. aggregately held as to 9.3 % in our Bank.

(2) Zhejiang Hengyi Group Co., Ltd. directly and indirectly held 73.28% in Hengyi Petrochemical Co., Ltd.; Zhejiang Hengyi Petrochemical Co., Ltd. is a wholly-owned subsidiary of Hengyi Petrochemical Co., Ltd., and Zhejiang Hengyi High-tech Material Co., Ltd. is a wholly-owned subsidiary of Zhejiang Hengyi Petrochemical Co., Ltd.. Zhejiang Hengyi Group Co., Ltd., Zhejiang Hengyi Petrochemical Co., Ltd. and Zhejiang Hengyi High-tech Material Co., Ltd. aggregately held 8.6% equity interests in our Bank.

(3) Guangsha Holding Group Co., Ltd. held as to 38.66% of Zhejiang Guangsha Co., Ltd., and indirectly held as to 9.91% of Zhejiang Guangsha Co., Ltd. through its subsidiary, Guangsha Construction Group Co., Ltd.; Guangsha Holding Group Co., Ltd. held as to 44.65% of Zhejiang Dongyang Third Construction Co., Ltd., Guangsha Holding Group Co., Ltd.'s subsidiary Guangsha Construction Group Co., Ltd. held as to 44% of Zhejiang Dongyang Third Construction Co., Ltd.; Guangsha Holding Group Co., Ltd is the controlling shareholder of Zhejiang Guangsha Co., Ltd. and Zhejiang Dongyang Third Construction Co., Ltd.; Guangsha Holding Group Co., Ltd., Zhejiang Dongyang Third Construction Co., Ltd. and Zhejiang Guangsha Co., Ltd. aggregately held as to 6.6% in our Bank.

(4) Mr. Chen Xiaxin held the whole interests of Shanghai Xizi United Investment Co., Ltd., also held as to 44.38% of Xizi Elevator Group Co., Ltd.. Mr. Chen Xiaxin is the controlling shareholder of Shanghai Xizi United Investment Co., Ltd. and Xizi Elevator Group Co., Ltd.; Xizi Elevator Group Co., Ltd. and Shanghai Xizi United Investment Co., Ltd. aggregately held as to 6.1% of our Bank. The discrepancy between the sum of the percentages listed herein are due to rounding.

(5) Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd., held as to 35.78% of Zhejiang China Light & Textile Industrial City Group Co., Ltd. and is therefore the controlling shareholder of Zhejiang China Light & Textile Industrial City Group Co., Ltd.; Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd. and Zhejiang China Light & Textile Industrial City Group Co., Ltd. aggregately held as to 5.4% of our Bank. The discrepancy between the sum of the percentages listed herein are due to rounding.

Immediately following the completion of the Global Offering:

- assuming the Over-allotment Option is not exercised, our share capital will comprise 14,209,696,778 Domestic Shares and 3,300,000,000 H Shares, representing 81.15% and 18.85% of the total share capital of our Bank, respectively; and
- assuming the Over-allotment Option is fully exercised, our share capital will comprise 14,164,696,778 Domestic Shares and 3,795,000,000 H Shares, representing 78.87% and 21.13% of the total share capital of our Bank, respectively.

So far as our Directors are aware, immediately following the completion of the Global Offering (and the offering of any additional H Shares which may be offered pursuant to the Over-allotment Option), the following persons will have an interest or short position in our Shares or underlying shares of our Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Bank:

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of Shareholder	Nature of interest and capacity	Class	Number of Shares	Approximate % of interest	Approximate % of the relevant class of Shares	Number of Shares	Approximate % of interest	Approximate % of the relevant class of Shares
Zhejiang Provincial Financial Holdings Co., Ltd.	Beneficial owner	Domestic Shares	2,686,893,007	15.35%	18.91%	2,655,443,774	14.79%	18.75%
Zhejiang Province Financial Development Company	Interest of controlled corporation (1)	Domestic Shares	2,686,893,007	15.35%	18.91%	2,655,443,774	14.79%	18.75%
China WanXiang Holding Co., Ltd.	Beneficial owner and interest of controlled corporation (2)	Domestic Shares	1,346,936,645	7.69%	9.48%	1,346,936,645	7.50%	9.51%
Lu Weiding	Interest of controlled corporation (3)	Domestic Shares	1,346,936,645	7.69%	9.48%	1,346,936,645	7.50%	9.51%
Traveller Automobile Group	Beneficial owner (4)	Domestic Shares	1,346,936,645	7.69%	9.48%	1,346,936,645	7.50%	9.51%
Shanghai Junzhu Equity Investment Management Co., Ltd.	Interest of controlled corporation (4)	Domestic Shares	1,346,936,645	7.69%	9.48%	1,346,936,645	7.50%	9.51%
Lin Cong	Interest of controlled corporation (4)	Domestic Shares	1,346,936,645	7.69%	9.48%	1,346,936,645	7.50%	9.51%
Zhejiang Hengyi Group Co., Ltd.	Beneficial owner and interest of controlled corporation (5)	Domestic Shares	1,242,724,913	7.10%	8.75%	1,242,724,913	6.92%	8.77%
Qiu Jianlin	Interest of controlled corporation (6)	Domestic Shares	1,242,724,913	7.10%	8.75%	1,242,724,913	6.92%	8.77%
Hengdian Group Holdings Limited	Beneficial owner	Domestic Shares	1,242,724,913	7.10%	8.75%	1,242,724,913	6.92%	8.77%
Hengdian Association For Economics Corporation	Interest of controlled corporation (7)	Domestic Shares	1,242,724,913	7.10%	8.75%	1,242,724,913	6.92%	8.77%
Guangsha Holding Group Co., Ltd.	Beneficial owner and interest of controlled corporation (8)	Domestic Shares	954,655,630	5.45%	6.72%	954,655,630	5.32%	6.74%
Lou Zhongfu	Interest of controlled corporation (9)	Domestic Shares	954,655,630	5.45%	6.72%	954,655,630	5.32%	6.74%

Name of Shareholder	Nature of interest and capacity	Class	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
			Number of Shares	Approximate % of interest	Approximate % of the relevant class of Shares	Number of Shares	Approximate % of interest	Approximate % of the relevant class of Shares
Chen Xiaxin	Interest of controlled corporation [(10)]	Domestic Shares	880,546,358	5.03%	6.20%	880,546,358	4.90%	6.22%
Zhejiang Provincial Energy Group Co., Ltd.	Beneficial owner	Domestic Shares	851,140,077	4.86%	5.99%	841,177,752	4.68%	5.94%
Minsheng Life Insurance Company Ltd.	Beneficial owner	Domestic Shares	803,226,036	4.59%	5.65%	803,226,036	4.47%	5.67%
Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd	Beneficial owner and interest of controlled corporation [(11)]	Domestic Shares	764,398,634	4.37%	5.38%	760,810,192	4.24%	5.37%
Shaoxing City Keqiao District State-owned Assets Investment and Operation Co., Ltd.	Interest of controlled corporation [(12)]	Domestic Shares	764,398,634	4.37%	5.38%	760,810,192	4.24%	5.37%
Zhejiang Hengyi Petrochemical Co., Ltd.	Beneficial owner and interest of controlled corporation [(13)]	Domestic Shares	748,069,283	4.27%	5.26%	748,069,283	4.17%	5.28%
Hengyi Petrochemical Co., Ltd.	Interest of controlled corporation [(14)]	Domestic Shares	748,069,283	4.27%	5.26%	748,069,283	4.17%	5.28%
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Beneficial owner	H Shares	1,000,000,000	5.71%	30.30%	1,000,000,000	5.57%	26.35%
Yancoal International (Holding) Company Limited [(15)]	Beneficial owner	H Shares	400,000,000	2.28%	12.12%	400,000,000	2.23%	10.54%
Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership)[(16)]	Beneficial owner	H Shares	250,000,000	1.43%	7.58%	250,000,000	1.39%	6.59%
Shenwan Hongyuan Group Co., Ltd. [(17)]	Beneficial owner	H Shares	198,079,000	1.13%	6.00%	198,079,000	1.10%	5.22%

Notes:

(1) Zhejiang Provincial Financial Holdings Co., Ltd. is wholly owned by Zhejiang Province Financial Development Company. Pursuant to the SFO, Zhejiang Province Financial Development Company is deemed to be interested in the Shares held by Zhejiang Provincial Financial Holdings Co., Ltd.

(2) Minsheng Life Insurance Company Ltd. is owned as to approximately 37.32% by China WanXiang Holding Co., Ltd. Pursuant to the SFO, China WanXiang Holding Co., Ltd is deemed to be interested in the Shares held by Minsheng Life Insurance Company Ltd.

(3) China WanXiang Holding Co., Ltd. is directly owned as to approximately 83.33% by Lu Weiding. Pursuant to the SFO, Lu Weiding is deemed to be interested in the Shares held by China WanXiang Holding Co., Ltd.

(4) Traveller Automobile Group is owned as to approximately 86.7% by Shanghai Junzhu Equity Investment Management Co., Ltd, which is wholly owned by Lin Cong. Pursuant to the SFO, Shanghai Junzhu Equity Investment Management Co., Ltd and Lin Cong are deemed to be interested in the Shares held by Traveller Automobile Group.

(5) Zhejiang Hengyi High-tech Material Co., Ltd. is wholly owned by Zhejiang Hengyi Petrochemical Co., Ltd., which is wholly owned by Hengyi Petrochemical Ltd.; Hengyi Petrochemical Co., Ltd. is directly and indirectly owned as to approximately 73.28% by Zhejiang Hengyi Group Co., Ltd. Pursuant to the SFO, Zhejiang Hengyi Group Co., Ltd. is deemed to be interested in the Shares held by Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.

(6) Qiu Jianlin is the actual controller of Zhejiang Hengyi Group Co., Ltd. Pursuant to the SFO, Qiu Jianlin is deemed to be interested in the Shares held by Zhejiang Hengyi Group Co., Ltd.

(7) Hengdian Group Holdings Limited is owned as to approximately 70% by Hengdian Association For Economics Corporation. Pursuant to the SFO, Hengdian Association For Economics Corporation is deemed to be interested in the Shares held by Hengdian Group Holdings Limited.

(8) Zhejiang Guangsha Co., Ltd. is owned as to approximately 48.6% by Guangsha Holding Group Co., Ltd. Zhejiang Dongyang Third Construction Co., Ltd. is owned as to approximately 88.65% by Guangsha Holdings Group Co., Ltd. Pursuant to the SFO, Guangsha Holdings Group Co., Ltd. is deemed to be interested in the Shares held by Zhejiang Guangsha Co., Ltd. and Zhejiang Dongyang Third Construction Co., Ltd.

(9) Guangsha Holding Group Co., Ltd. is owned as to approximately 83% by Lou Zhongfu. Pursuant to the SFO, Lou Zhongfu is deemed to be interested in the Shares held by Guangsha Holding Group Co., Ltd.

(10) Shanghai Xizi United Investment Co., Ltd. is wholly owned by Chen Xiaxin. Xizi Elevator Group Co., Ltd. is owned as to approximately 44.38% by Chen Xiaxin. Pursuant to the SFO, Chen Xiaxin is deemed to be interested in the Shares held by Shanghai Xizi United Investment Co., Ltd. and Xizi Elevator Group Co., Ltd.

(11) Zhejiang China Light & Textile Industrial City Group Co., Ltd. is owned as to approximately 35.78% by Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd. Pursuant to the SFO, Keqiao District Shaoxing China Light & Textile Market Development & Operation Co., Ltd. is deemed to be interested in the Shares held by Zhejiang China Light & Textile Industrial City Group Co., Ltd.

(12) Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd. is wholly owned by Shaoxing City Keqiao District State-owned Assets Investment and Operation Co., Ltd. Pursuant to the SFO, Shaoxing City Keqiao District State-owned Assets Investment and Operation Co., Ltd. is deemed to be interested in the Shares held by Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd.

(13) Zhejiang Hengyi High-tech Material Co., Ltd. is wholly owned by Zhejiang Hengyi Petrochemical Co., Ltd. Pursuant to the SFO, Zhejiang Hengyi Petrochemical Co., Ltd. is deemed to be interested in the Shares held by Zhejiang Hengyi High-tech Material Co., Ltd.

(14) Zhejiang Hengyi Petrochemical Co., Ltd. is wholly owned by Hengyi Petrochemical Co., Ltd. Pursuant to the SFO, Hengyi Petrochemical Co., Ltd. is deemed to be interested in the Shares held by Zhejiang Hengyi Petrochemical Co., Ltd.

(15) Yancoal International (Holding) Company Limited is a wholly-owned subsidiary of Yanzhou Coal Mining Company Limited whose ultimate controlling shareholder is Yankuang Group Company Limited. Therefore, each of Yanzhou Coal Mining Company Limited and Yankuang Group Company Limited is deemed to be interested in the H Shares held by Yancoal International (Holding) Company Limited under the SFO.

(16) Zhejiang Lingyan Capital Management Co., Ltd. is the managing partner of Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership). Therefore, Zhejiang Lingyan Capital Management Co., Ltd. is deemed to be interested in the H Shares held by Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership) under the SFO.

(17) The number of H Shares and percentage of shareholding of Shenwan Hongyuan Group Co., Ltd. are calculated based on the Offer Price of HK$3.92 (being the low-point of the Offer Price range set out in this prospectus).

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering (and the offering of any additional H Shares which may be offered pursuant to the Over-allotment Option), have an interest or short position in our Shares or underlying shares of our Bank which would be required to be disclosed to our Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Bank.

This section presents certain information regarding our share capital before and upon completion of the Global Offering.

Before the Global Offering

As of the Latest Practicable Date, our share capital is RMB14,509,696,778, which comprised 14,509,696,778 Domestic Shares, is categorized as follows:

Class	Number of shares	Approximate percentage of share capital
Domestic Shares	14,509,696,778	100.0%

Upon Completion of Global Offering

Immediately after completion of the Global Offering, but without taking into account the exercise of the Over-allotment Option, our total share capital would be as follows:

Class	Number of shares	Approximate percentage of share capital
Domestic Shares	14,209,696,778	81.15%
H Shares to be converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	300,000,000	1.71%
H Shares issued pursuant to the Global Offering	3,000,000,000	17.13%
Total Share Capital	17,509,696,778	100.0%

Immediately after completion of the Global Offering, assuming the Over-allotment Option is exercised in full, our total share capital would be as follows:

Class	Number of shares	Approximate percentage of share capital
Domestic Shares	14,164,696,778	78.87%
H Shares to be converted from Domestic Shares and offered by the Selling Shareholders pursuant to the Global Offering	345,000,000	1.92%
H Shares issued pursuant to the Global Offering	3,450,000,000	19.21%
Total Share Capital	17,959,696,778	100.0%

CLASS SHARE

The H Shares in issue upon completion of the Global Offering, and Domestic Shares, are ordinary shares in the registered share capital of our Bank. However, apart from qualified domestic institutional investors ("**QDII**") and persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approval of any competent authority, or through Shanghai-Hong Kong Stock Connect pursuant to relevant PRC laws and regulations, H shares may not be subscribed by or traded between legal or natural persons of the PRC.

H Shares and Domestic Shares are regarded as different classes of shares under the relevant provisions of our Articles of Association. Any change or abrogation of the rights of different classes of shareholders should be approved by way of a special resolution at a general meeting of shareholders and at a separate class meetings. However, the procedures for approval by separate class meetings shall not apply where (i) our Bank issues, upon approval by a special resolution in a general meeting, either separately or concurrently once every 12 months, Domestic Shares and overseas-listed shares representing not more than 20% of the existing issued Domestic Shares and foreign-listed shares; (ii) the issuance of Domestic Shares and foreign-listed shares is part of our Bank's plan at the time of our establishment, which is implemented within 15 months from the date of approval by the securities regulatory authorities of the State Council; or (iii) pursuant to the approval of relevant regulatory authorities including banking regulatory authority and securities regulatory authority of the State Council, shareholders of Domestic Shares of our Bank convert their unlisted shares into overseas-listed shares and have them listed and traded on an overseas stock exchange.

RANKING

The differences between Domestic Shares and H Shares, the provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of shareholders, the method of Share transfer, appointment of dividend receiving agents and other matters are set out in our Articles of Association and summarized in the section entitled "Appendix VI—Summary of Articles of Association" of this prospectus.

Except for the differences above, Domestic Shares and H Shares will rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be calculated in Renminbi and paid by us in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by us in Renminbi. In addition to cash, dividends may be distributed in the form of Shares.

LOCK-UP PERIODS

Pursuant to the PRC Company Law, the Shares issued prior to any public offering of our Shares should not be transferred within a period of one year from the date on which our publicly offered Shares are listed on the relevant stock exchange. Accordingly, the Shares issued by our Bank prior to the Listing Date shall be subject to such statutory restriction on transfer within a period of one year from the Listing Date. In addition, certain holders of our Domestic Shares have given undertaking not to transfer their shareholding for a certain period. See "History and Development".

However, the H Shares (converted from Domestic Shares) to be transferred by the State-owned Shareholders of our Bank, namely, Zhejiang Provincial Financial Holdings Co., Ltd., Zhejiang Provincial Energy Group Co., Ltd. and Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd. (the "State-owned Shareholders") to the NSSF in accordance with relevant PRC regulations regarding the transfer of state-owned Shares and calculated based on the Global Offering are not subject to such statutory restrictions. See also "—Transfer and Sale of State-Owned Shares".

TRANSFER AND SALE OF STATE-OWNED SHARES

In accordance with relevant rules and regulations of the state council of China regarding the transfer of state-owned shares, the State-owned Shareholders are required to transfer to the NSSF, in proportion to its holdings in our Bank, such number of Shares in aggregate equivalent to 10% of the number of the Offer Shares (being 300,000,000 H Shares before the exercise of the Over-allotment Option, and an additional 45,000,000 H Shares upon the full exercise of the Over-allotment Option) or, as required by the NSSF, sell such number of Shares in aggregate equivalent to 10% of the number of the Offer Shares at the Offer Price under the Global Offering and pay proceeds from the sale to the

NSSF after deducting related expenses. At the time of listing, such Shares will be converted into H Shares on a one-for-one basis. Our Bank will not receive any proceeds from the transfer of H Shares by the state-owned Shareholders to the NSSF or disposal of such H Shares by the state-owned Shareholders as required by the NSSF.

The transfer of state-owned Shares by our Bank's state-owned Shareholders to the NSSF was approved by the MOF on November 23, 2015. The conversion of those Domestic Shares into H Shares was approved by the CSRC on January 18, 2016. Pursuant to a letter issued by the NSSF (Shebaojijinfa [2015] No. 205) on December 22, 2015, the NSSF instructed us to (i) arrange for the sale of the Sale Shares, which shall equal to 10% of the number of the Offer Shares to be offered by our Bank, and (ii) remit the proceeds from the sale of the Sale Shares (after deducting the SFC transaction levy and Hong Kong Stock Exchange trading fee) to an account designated by the NSSF. See "Structure of the Global Offering—The Selling Shareholders". We have been advised by Zhejiang T&C Law Firm, our PRC legal advisor, that the conversion and sale described above have been approved by the relevant authorities and are in compliance with PRC laws.

The H Shares transferred according to the State-owned Shares Transfer Approval and converted according to the CSRC Approval from the Zhejiang Provincial Financial Holdings Co., Ltd., Zhejiang Provincial Energy Group Co., Ltd. and Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd. will not be subject to any lock-up arrangement upon the completion of the Global Offering.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the regulations by the securities regulatory authority of the State Council and our Articles of Association, our shareholders of Domestic Shares may convert their unlisted shares into overseas-listed shares and have them listed and traded on an overseas stock exchange, upon the approval of relevant regulatory authorities including banking regulatory authority and securities regulatory authority of the State Council. The unlisted shares held by our shareholders of Domestic Shares are our Domestic Shares. In addition, any requisite internal approval process in respect of such conversion and transfer shall be completed and such conversion and transfer shall comply with the regulations prescribed by securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant stock exchange.

The conversion of Domestic Shares into H Shares and their listing and trading on an overseas stock exchange shall require the approval of the relevant PRC regulatory authorities, including the CSRC. The listing and trading of such converted shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange.

Based on the procedures for the conversion of the Domestic Shares into H Shares as disclosed below, we may apply for the listing of all or any portion of the Domestic Shares on the Hong Kong Stock Exchange as H Shares before any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No approval by separate class meeting is required for shareholders of Domestic Shares of our Bank to have their unissued shares converted into overseas-listed shares and have them listed and traded on an overseas stock exchange, upon the approval of relevant regulatory authorities including banking regulatory authority and securities regulatory authority of the State Council, pursuant to our Articles of Association. Any application for listing of the converted shares on the Hong Kong Stock Exchange after our listing is subject to prior notification by way of announcement to inform our Shareholders and public investors of any proposed conversion in advance.

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange in compliance with the Hong Kong Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Shareholders currently proposes to convert any of the unlisted shares held by it into H Shares, except for the Sale Shares to be offered by the Selling Shareholders in connection with the Global Offering.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstance under which our Shareholders' general meeting and Shareholders' class meeting are required, see "Appendix VI — Summary of Articles of Association."

You should read the discussion and analysis set forth in this section in conjunction with "Appendix I—Accountant's Report", which has been prepared in accordance with IFRS. You should also read the following discussion and analysis in conjunction with the unaudited preliminary financial information of our Bank for the year ended December 31, 2015 and the accompanying notes contained in Appendix IV, as well as "Appendix IV—Unaudited Preliminary Financial Information of the Bank for the Year ended December 31, 2015—Management's Discussion and Analysis of Financial Condition and Operation Results." The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors."

ASSETS

Our total assets as of December 31, 2012, 2013 and 2014 and September 30, 2015 were RMB393,839 million, RMB488,117 million, RMB669,957 million and RMB1,004,315 million, respectively. The principal components of our assets are (i) loans and advances to customers; (ii) financial investments; (iii) due from banks and other financial institutions; and (iv) cash and balances with central bank, which accounted for 33.8%, 45.8%, 11.0% and 8.4%, respectively, of our total assets as of September 30, 2015. The following table sets forth the balances of these principal components of our total assets as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Assets								
Loans and advances to customers	182,306	46.3%	217,137	44.5%	259,023	38.7%	339,138	33.8%
Allowance for impairment losses	(3,565)	(0.9%)	(4,566)	(0.9%)	(6,710)	(1.0%)	(9,412)	(0.9%)
Loans and advances to customers, net	178,740	45.4%	212,571	43.5%	252,312	37.7%	329,726	32.8%
Financial investments	30,151	7.7%	44,571	9.1%	236,466	35.3%	459,940	45.8%
Financial assets at fair value through profit or loss	1,659	0.4%	2,177	0.4%	4,191	0.6%	8,699	0.9%
Derivative financial assets	8	0.0%	51	0.0%	113	0.0%	298	0.0%
Due from banks and other financial institutions	117,726	29.9%	158,521	32.5%	93,686	14.0%	110,811	11.0%
Cash and balances with central bank	61,018	15.5%	64,356	13.2%	75,427	11.3%	84,405	8.4%
Others[(1)]	4,538	1.2%	5,871	1.2%	7,762	1.2%	10,436	1.0%
Total assets	**393,839**	**100.0%**	**488,117**	**100.0%**	**669,957**	**100.0%**	**1,004,315**	**100.0%**

Note:
(1) Mainly include fixed assets, deferred income tax assets and other assets.

Our total assets increased by 23.9% from RMB393,839 million as of December 31, 2012 to RMB488,117 million as of December 31, 2013, and further increased by 37.3% to RMB669,957 million as of December 31, 2014. Our total assets amounted to RMB1,004,315 million as of September 30, 2015, representing an increase of 49.9% as compared with that as of December 31, 2014. The growth in our total assets from December 31, 2012 to September 30, 2015 was largely the result of an increase in our loans and advances to customers and financial investments.

Loans and Advances to Customers

We provide a variety of loan products to our customers through our headquarters, branches and sub-branches. Loans and advances to customers were the largest component of our assets from 2012 to 2014. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our loans and advances to customers, net of allowance for impairment losses, accounted for 45.4%, 43.5%, 37.7% and 32.8%, respectively, of our total assets. Our net loans and advances to customers increased by 18.9% to RMB212,571 million as of December 31, 2013 from RMB178,740 million as of December 31, 2012, and further increased by 18.7% to RMB252,312 million as of December 31, 2014. Our net loans and advances to customers amounted to RMB329,726 million as of September 30, 2015, representing an increase of 30.7% as compared with that as of December 31, 2014. The steady increase in our loans and advances to customers from December 31, 2012 to September 30, 2015 was largely the result of (i) an increase in demand for loans driven by the mid-to-high growth of the PRC economy; (ii) the gradual expansion of our branch network; and (iii) the funding support for our growing loan business provided by our growing deposits.

Except as otherwise indicated, the discussions on loans in this section are based on our total loans and advances to customers without deducting the related allowance for impairment losses. Our loans and advances to customers reported on our statements of financial position are amounts net of the allowance for impairment losses.

Loans and Advances to Customers by Business Type

Our loans and advances to customers principally consist of corporate loans and advances as well as personal loans and advances. See "Business—Our Principal Businesses" for a description of our principal loan products and services. The following table sets forth a breakdown of our loans and advances to customers by business type as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Corporate loans and advances	147,384	80.8%	174,206	80.2%	206,952	79.9%	279,514	82.4%
Including: discounted bills	5,840	3.2%	3,516	1.6%	12,803	4.9%	44,294	13.1%
Personal loans and advances	34,922	19.2%	42,931	19.8%	52,071	20.1%	59,624	17.6%
Total	**182,306**	**100.0%**	**217,137**	**100.0%**	**259,023**	**100.0%**	**339,138**	**100.0%**

Corporate Loans and Advances

Corporate loans and advances constituted the largest component of our loan portfolio. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our corporate loans and advances were RMB147,384 million, RMB174,206 million, RMB206,952 million and RMB279,514 million, respectively, accounting for 80.8%, 80.2%, 79.9% and 82.4%, respectively, of our total loans and advances to customers.

Our corporate loans and advances increased by 18.2% from RMB147,384 million as of December 31, 2012 to RMB174,206 million as of December 31, 2013, and further increased by 18.8% to RMB206,952 million as of December 31, 2014. Corporate loans and advances amounted to RMB279,514 million as of September 30, 2015, representing an increase of 35.1% as compared with that as of December 31, 2014. The steady increase in our corporate loans and advances from December 31, 2012 to September 30, 2015 was primarily because we strengthened our cooperation with quality core clients and increased loan extension to the real economy enterprises. In particular, we continued to develop our featured business for small and micro enterprises, resulting in a steady increase in the total loans and advances extended to such enterprises. Meanwhile, as the number of our services outlets increased nationwide, the total amount of our corporate loans and advances increased accordingly.

Corporate Loans and Advances by Contract Maturity

A majority of our corporate loans and advances were short-term loans, with maturity of one year or less. The following table sets forth the distribution of our corporate loans and advances by maturity as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Short-term loans(1)	94,496	64.1%	108,309	62.2%	120,521	58.2%	175,205	62.7%
Including: discounted bills	5,840	4.0%	3,516	2.0%	12,803	6.2%	44,294	15.8%
Medium- to long-term loans(2)	52,888	35.9%	65,898	37.8%	86,431	41.8%	104,309	37.3%
Total	**147,384**	**100.0%**	**174,206**	**100.0%**	**206,952**	**100.0%**	**279,514**	**100.0%**

Notes:

(1) Includes loans with maturity of one year or less.

(2) Includes loans with maturity of more than one year.

Short-term loans as a percentage of our corporate loans and advances decreased from 64.1% as of December 31, 2012 to 62.2% as of December 31, 2013, and further decreased to 58.2% as of December 31, 2014. Medium- to long-term loans as a percentage of our corporate loans and advances increased from 35.9% as of December 31, 2012 to 37.8% as of December 31, 2013, and further increased to 41.8% as of December 31, 2014. The change in the maturity structure of our corporate loans and advances from 2012 to 2014 was primarily because we continued to optimize our loan portfolio and increase the extension of medium- to long-term loans in order to improve our profitability while maintaining a reasonable loan maturity structure. As of September 30, 2015, short-term loans and medium- to long-term loans as a percentage of our corporate loans and advances were 62.7% and 37.3% respectively. The increase of our short-term loans as a percentage of our corporate loans and advances from December 31, 2014 to September 30, 2015 was mainly due to an increase in the percentage of our discounted bills.

Corporate Loans and Advances by Industry

Our corporate loans and advances consist of loans to customers in a broad range of industries. The following table sets forth a breakdown of our corporate loans and advances by industry as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Manufacturing	43,541	29.5%	48,468	27.8%	44,520	21.5%	49,476	17.7%
Wholesale and retail trade	22,685	15.4%	30,517	17.5%	30,284	14.6%	39,512	14.1%
Real estate	20,224	13.7%	25,348	14.6%	35,172	17.0%	38,387	13.7%
Leasing and commercial services	14,417	9.8%	19,917	11.4%	28,295	13.7%	33,894	12.1%
Administration of water conservancy, environment and public facilities	7,315	5.0%	9,105	5.2%	15,183	7.3%	22,612	8.1%
Construction	13,393	9.1%	14,268	8.2%	16,981	8.2%	20,244	7.2%
Transportation, storage and postal service	6,013	4.1%	6,299	3.6%	5,987	2.9%	6,349	2.3%
Electricity, gas and water production and supply	3,654	2.5%	4,771	2.7%	4,205	2.0%	4,302	1.5%
Accommodation and catering	2,537	1.7%	2,992	1.7%	3,195	1.5%	3,784	1.4%
Financing	387	0.3%	476	0.3%	573	0.3%	3,360	1.2%
Mining	3,223	2.2%	2,861	1.6%	3,194	1.5%	3,164	1.1%
Public administration and social organizations	604	0.4%	847	0.5%	1,561	0.8%	2,323	0.8%
Culture, sports and entertainment	736	0.5%	946	0.5%	744	0.4%	2,277	0.8%
Agriculture, forestry, animal husbandry and fishery	813	0.6%	910	0.5%	972	0.5%	1,674	0.6%
Information transmission, computer services and software	923	0.6%	1,304	0.7%	1,243	0.6%	1,333	0.5%
Household services and other services	287	0.2%	494	0.3%	489	0.2%	883	0.3%
Scientific research, technology services and geological prospecting	295	0.2%	488	0.3%	520	0.3%	785	0.3%
Health, social security and social welfare	157	0.1%	284	0.2%	498	0.2%	529	0.2%
Education	341	0.2%	396	0.2%	533	0.3%	333	0.1%
Discounted bills	5,840	4.0%	3,516	2.0%	12,803	6.2%	44,294	15.8%
Total	**147,384**	**100.0%**	**174,206**	**100.0%**	**206,952**	**100.0%**	**279,514**	**100.0%**

As of September 30, 2015, loans to customers in the (i) manufacturing, (ii) wholesale and retail trade, (iii) real estate, (iv) leasing and commercial services and (v) administration of water conservancy, environment and public facilities represented the largest components of our corporate loans and advances (excluding discounted bills). As of December 31, 2012, 2013 and 2014 and September 30, 2015, the aggregate balance of loans to corporate customers in such five industries was RMB108,182 million, RMB133,355 million, RMB153,453 million and RMB183,882 million, respectively, representing 73.4%, 76.6%, 74.1% and 65.8%, of our total corporate loans and advances, respectively.

Loans to corporate customers in the manufacturing industry accounted for 29.5%, 27.8%, 21.5% and 17.7%, of our total corporate loans and advances as of December 31, 2012, 2013 and 2014 and September 30, 2015, respectively. The decrease in the percentage of loans extended to manufacturing companies was mainly due to the slowdown in the growth of demand for loans by our corporate customers in the manufacturing industry resulting from the structural adjustments of the PRC economy.

Loans to corporate customers in the wholesale and retail trade industry accounted for 15.4%, 17.5%, 14.6% and 14.1% of our total corporate loans and advances as of December 31, 2012, 2013 and 2014 and September 30, 2015, respectively. From December 31, 2012 to September 30, 2015, the changes in the percentage of loans extended to the wholesale and retail trade industry were primarily due to our adjustment of the credit extension to this industry in accordance with its credit demands.

Loans to corporate customers in the real estate industry accounted for 13.7%, 14.6%, 17.0% and 13.7% of our total corporate loans and advances as of December 31, 2012, 2013 and 2014 and September 30, 2015, respectively. From December 31, 2012 to December 31, 2014, the increase in percentage of loans extended to the real estate industry was primarily because we provided appropriate levels of credit support to quality corporations and projects at prime locations. Loans to the real estate industry as a percentage of our corporate loans and advances decreased from 17.0% as of December 31, 2014 to 13.7% as of September 30, 2015, primarily because we continued to strengthen our credit limit management in the real estate industry and focused on developing relationships with major nationwide real estate developers.

Loans to corporate customers in the leasing and commercial services industry accounted for 9.8%, 11.4%, 13.7% and 12.1% of our total corporate loans and advances as of December 31, 2012, 2013 and 2014 and September 30, 2015, respectively. From December 31, 2012 to September 30, 2015, the overall changes in percentage of loans extended to the leasing and commercial services industry were mainly due to the increased credit demands as a result of the overall steady growth in the leasing and commercial services industry.

Loans to corporate customers in the administration of water conservancy, environment and public facilities industry accounted for 5.0%, 5.2%, 7.3% and 8.1% of our total corporate loans and advances as of December 31, 2012, 2013 and 2014 and September 30, 2015, respectively. From December 31, 2012 to September 30, 2015, the increase in our loans to customers in the administration of water conservancy, environment and public facilities industry as a percentage of our total corporate loans and advances was mainly because we increased the amount of loans extended to this industry as a result of its increased credit demands.

Corporate Loans and Advances by Size of Corporate Borrowers

The following table sets forth the distribution of corporate loans and advances by size of corporate borrowers as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Large enterprises[1]	51,712	35.1%	63,767	36.6%	73,811	35.7%	94,637	33.9%
Medium enterprises[1]	64,620	43.8%	75,438	43.3%	81,517	39.4%	100,798	36.1%
Small enterprises[1]	17,851	12.1%	22,851	13.1%	29,784	14.4%	30,159	10.8%
Micro enterprises[1]	7,361	5.0%	8,634	5.0%	9,037	4.4%	9,627	3.4%
Discounted bills	5,840	4.0%	3,516	2.0%	12,803	6.2%	44,294	15.8%
Total	**147,384**	**100.0%**	**174,206**	**100.0%**	**206,952**	**100.0%**	**279,514**	**100.0%**

Note:

(1) The classification criteria for large, medium, small and micro enterprises are made pursuant to the Classification Standards of Small and Medium Enterprises (中小企業劃型標準規定) jointly promulgated by the PRC Ministry of Industry and Information Technology, the NBS, the NDRC and the MOF in 2011.

Loans extended to large enterprises increased by 23.3% from RMB51,712 million as of December 31, 2012 to RMB63,767 million as of December 31, 2013, and further increased by 15.8% to RMB73,811 million as of December 31, 2014. Our loans to large enterprises amounted to RMB94,637 million as of September 30, 2015, accounting for 33.9% of our total corporate loans and advances. From December 31, 2012 to September 30, 2015, the increase in our loans to large enterprises was mainly due to our continued business cooperation with large quality enterprises and our further enhanced ability to service large quality customers by providing innovative products. See "Business—Our Principal Businesses—Corporate Banking Business—Customer Base."

Loans extended to medium enterprises increased by 16.7% from RMB64,620 million as of December 31, 2012 to RMB75,438 million as of December 31, 2013, and further increased by 8.1% to RMB81,517 million as of December 31, 2014. Our loans to medium enterprises amounted to RMB100,798 million as of September 30, 2015, accounting for 36.1% of our total corporate loans and advances. From December 31, 2012 to September 30, 2015, the increase in our loans to medium enterprises was mainly because we proactively expanded our customer base and developed quality customers among medium enterprises.

Loans extended to small enterprises increased by 28.0% from RMB17,851 million as of December 31, 2012 to RMB22,851 million as of December 31, 2013, and further increased by 30.3% to RMB29,784 million as of December 31, 2014. Our loans to small enterprises amounted to RMB30,159 million as of September 30, 2015, accounting for 10.8% of our total corporate loans and advances. The increase in our loans to small enterprises was mainly because (i) we enhanced marketing efforts targeting small enterprises based on the national policy to promote the development of small enterprises; and (ii) we accelerated the establishment of our branch network, increased the number of outlets and expanded our service areas, which led to a growth in our customers base and businesses.

Loans extended to micro enterprises increased by 17.3% from RMB7,361 million as of December 31, 2012 to RMB8,634 million as of December 31, 2013, and further increased by 4.7% to RMB9,037 million as of December 31, 2014. Our loans to micro enterprises amounted to

RMB9,627 million as of September 30, 2015. We have increased our efforts to promote "Convenient Loans" (便利貸) and other businesses targeting micro enterprises since 2013, resulting in the steady growth of loans to micro enterprises.

Corporate Loans and Advances by Size of Loans to Single Corporate Borrower

The following table sets forth the outstanding corporate loans and advances by size of loans to single borrower as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Up to RMB10 million (including RMB10 million)	19,153	13.0%	20,632	11.8%	20,948	10.1%	21,317	7.6%
Over RMB10 million to RMB50 million (including RMB50 million)	40,428	27.4%	43,623	25.0%	42,293	20.4%	42,972	15.4%
Over RMB50 million to RMB100 million (including RMB100 million)	23,486	15.9%	29,946	17.2%	31,313	15.1%	36,136	12.9%
Over RMB100 million to RMB500 million (including RMB500 million)	54,598	37.0%	66,817	38.4%	85,857	41.5%	108,764	38.9%
Over RMB500 million	3,879	2.6%	9,672	5.6%	13,738	6.6%	26,032	9.3%
Discounted bills	5,840	4.0%	3,516	2.0%	12,803	6.2%	44,294	15.8%
Total	**147,384**	**100.0%**	**174,206**	**100.0%**	**206,952**	**100.0%**	**279,514**	**100.0%**

As of December 31, 2012, 2013 and 2014 and September 30, 2015, corporate loans and advances provided to single corporate borrower of over RMB100 million represented 39.6%, 44.0%, 48.1%, and 48.2% of our total corporate loans and advances, respectively, mainly because we continued to improve our capability of providing services to large customers and we strengthened our marketing efforts targeting such customers.

Discounted Bills

Discounted bills are mainly bank acceptance bills and commercial acceptance bills. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of our discounted bills was RMB5,840 million, RMB3,516 million, RMB12,803 million and RMB44,294 million, respectively, representing 3.2%, 1.6%, 4.9% and 13.1% of our total loans and advances to customers, respectively. The changes in discounted bills were mainly because we adjusted the balance of our discounted bills to supplement our loans to corporate borrowers in accordance with the fluctuation of loan demands and interest rates of the discounted bills market.

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Bank acceptance bills	3,247	55.6%	1,514	43.1%	4,799	37.5%	28,009	63.2%
Commercial acceptance bills	2,593	44.4%	2,002	56.9%	8,004	62.5%	16,285	36.8%
Total discounted bills	**5,840**	**100.0%**	**3,516**	**100.0%**	**12,803**	**100.0%**	**44,294**	**100.0%**

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our commercial acceptance bills accounted for 44.4%, 56.9%, 62.5% and 36.8% of our total discounted bills. The percentage of our commercial acceptance bills increased from 2012 to 2014 mainly because we developed our supply chain finance business, under which we promoted various business models, particularly our guaranteed services for discounting commercial acceptance bills in 2012 and 2013, and launched our Bills Pool business since 2014. The percentage of our commercial acceptance bills as of September 30, 2015 decreased as compared to the end of 2014, mainly because we adjusted the structure of our discounted bills and increased the transaction volume of our bank acceptance bills.

Personal Loans and Advances

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our personal loans and advances were RMB34,922 million, RMB42,931 million, RMB52,071 million and RMB59,624 million, respectively, and represented 19.2%, 19.8%, 20.1% and 17.6% of our total loans and advances to customers.

Personal loans and advances increased by 22.9% from RMB34,922 million as of December 31, 2012 to RMB42,931 million as of December 31, 2013, and further increased by 21.3% to RMB52,071 million as of December 31, 2014. Personal loans and advances amounted to RMB59,624 million as of September 30, 2015, representing an increase of 14.5% as compared with that as of December 31, 2014. The increase in our personal loans and advances was primarily due to an increase in our personal business loans and residential mortgage loans.

Personal Loans and Advances by Product Type

Our personal loans and advances mainly include personal business loans, residential mortgage loans and other personal loans. The following table sets forth the principal components of our personal loans and advances by product type as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Personal business loans	33,910	97.1%	42,050	97.9%	51,264	98.4%	57,415	96.3%
Residential mortgage loans	665	1.9%	595	1.4%	660	1.3%	1,822	3.1%
Others(1)	347	1.0%	286	0.7%	148	0.3%	387	0.6%
Total	**34,922**	**100.0%**	**42,931**	**100.0%**	**52,071**	**100.0%**	**59,624**	**100.0%**

Note:
(1) Mainly consists of personal consumption loans and credit card overdrafts.

Personal business loans were the largest component of our personal loans and advances, accounting for 97.1%, 97.9%, 98.4% and 96.3% of our personal loans and advances as of December 31, 2012, 2013 and 2014 and September 30, 2015, respectively. Personal business loans increased by 24.0% from RMB33,910 million as of December 31, 2012 to RMB42,050 million as of December 31, 2013, and further increased by 21.9% to RMB51,264 million as of December 31, 2014. As of September 30, 2015, our personal business loans amounted to RMB57,415 million, representing an increase of 12.0% compared with that as of December 31, 2014. The increases in personal business loans were primarily because following the market development trends of emerging industries and the national policy in support of small and micro loans, we refined our credit policies with respect to type of security, loan term, draw-down and repayment, etc. In addition, we increased our marketing efforts for such products.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, residential mortgage loans accounted for 1.9%, 1.4%, 1.3% and 3.1% of our personal loans and advances, respectively. Residential mortgage loans decreased from RMB665 million as of December 31, 2012 to RMB595 million as of December 31, 2013, then increased to RMB660 million as of December 31, 2014 and further increased to RMB1,822 million as of September 30, 2015. The increase in residential mortgage loans from December 31, 2014 to September 30, 2015 was primarily because we started to leverage residential mortgage loans as a means to attract quality customers in 2015 and strengthened the marketing efforts for such loans, thereby significantly increasing the balance of residential mortgage loans.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, other personal loans accounted for 1.0%, 0.7%, 0.3% and 0.6% of our personal loans and advances, respectively. We also launched our credit card business with a focus on quality customers in 2015.

Personal Loans and Advances by Size of Loans to Single Personal Borrower

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Up to RMB50,000 (including RMB50,000)	4	0.0%	4	0.0%	7	0.0%	241	0.4%
RMB50,000 to RMB300,000 (including RMB300,000)	835	2.4%	938	2.2%	1,161	2.2%	1,431	2.4%
RMB300,000 to RMB1 million (including RMB1 million)	7,296	20.9%	8,307	19.3%	9,728	18.7%	10,909	18.3%
RMB 1 million to RMB2 million (including RMB2 million)	10,195	29.2%	11,364	26.5%	13,120	25.2%	14,556	24.4%
RMB 2 million to RMB5 million (including RMB5 million)	16,405	47.0%	22,183	51.7%	27,680	53.2%	30,171	50.6%
Over RMB5 million	186	0.5%	136	0.3%	374	0.7%	2,316	3.9%
Total	**34,922**	**100.0%**	**42,931**	**100.0%**	**52,071**	**100.0%**	**59,624**	**100.0%**

As of December 31, 2012, 2013 and 2014 and September 30, 2015, personal loans and advances to single personal borrower with amounts less than RMB5 million (including RMB5 million) accounted for 99.5%, 99.7%, 99.3% and 96.1% of our total personal loans and advances, respectively. Borrowers with amounts not more than RMB5 million are the key clients of our personal loans and advances.

Loans and Advances to Customers by Geographical Region

The following table sets forth the geographic distribution of loans, based on the location of loan origination as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Eastern China	114,297	62.7%	131,811	60.7%	157,109	60.7%	204,967	60.4%
Northern China	32,010	17.6%	42,192	19.4%	50,039	19.3%	63,802	18.8%
Western China	27,925	15.3%	33,825	15.6%	40,756	15.7%	52,724	15.5%
Southern China	8,073	4.4%	9,309	4.3%	11,119	4.3%	17,644	5.2%
Total	**182,306**	**100.0%**	**217,137**	**100.0%**	**259,023**	**100.0%**	**339,138**	**100.0%**

Our loan business was mainly concentrated in Eastern China. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the total loans extended by our outlets in Eastern China accounted for 62.7%, 60.7%, 60.7% and 60.4% of our total loans and advances to customers respectively. The total loans extended by our outlets in Eastern China increased by 15.3% from RMB114,297 million as of December 31, 2012 to RMB131,811 million as of December 31, 2013, and further increased by 19.2% to RMB157,109 million as of December 31, 2014. Our total loans in Eastern China amounted to RMB204,967 million as of September 30, 2015, representing an increase of 30.5% as compared with that as of December 31, 2014. The total loan amount in the region increased during the period primarily because we capitalized on our extensive branch network in this region and enhanced our services to quality core clients in this region.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the total amounts of loans extended by our outlets in Northern China accounted for 17.6%, 19.4%, 19.3% and 18.8% of the total loans and advances to customers, respectively. The total amounts of loans extended by our outlets in Northern China increased by 31.8% from RMB 32,010 million as of December 31, 2012 to RMB42,192 million as of December 31, 2013, and further increased by 18.6% to RMB50,039 million as of December 31, 2014. Our total loans in Northern China amounted to RMB63,802 million as of September 30, 2015, representing an increase of 27.5% as compared with those as of December 31, 2014. The general increase in total loan amount in this region during the period was primarily driven by our newly added branches and sub-branches and our increased efforts in expanding our loan business in this region.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the total loans extended by our outlets in Western China accounted for 15.3%, 15.6%, 15.7% and 15.5% of our total loans and advances to customers, respectively, and the total loans extended by our outlets in Southern China accounted for 4.4%, 4.3%, 4.3% and 5.2% of the total loans and advances to customers, respectively. The total amounts of loans extended by our outlets in Western China increased by 21.1% from RMB 27,925 million as of December 31, 2012 to RMB33,825 million as of December 31, 2013, and further increased by 20.5% to RMB40,756 million as of December 31, 2014. Our total loans in Western China amounted to RMB52,724 million as of September 30, 2015, representing an increase of 29.4% as compared with those as of December 31, 2014. The total amounts of loans extended by our outlets in Southern China increased by 15.3% from RMB 8,073 million as of December 31, 2012 to RMB9,309 million as of December 31, 2013, and further increased by 19.4% to RMB11,119 million as of

December 31, 2014. Our total loans in Southern China amounted to RMB17,644 million as of September 30, 2015, representing an increase of 58.7% as compared with those as of December 31, 2014. The continued increase of our total loans in Western China and Southern China was mainly because we continued adding outlets in these regions, thereby increasing our loan extension.

Loans and Advances to Customers by Security Type

The following table sets forth the distribution of our loans and advances to customers by security type as of December 31, 2012, 2013 and 2014 and September 30, 2015:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Collateralized loans[1]	94,664	51.9%	118,789	54.7%	140,581	54.3%	148,267	43.7%
Pledged loans[1]	11,833	6.5%	16,793	7.7%	17,047	6.6%	38,184	11.3%
Guaranteed loans[1]	56,570	31.0%	62,083	28.6%	70,513	27.2%	83,575	24.6%
Unsecured loans[1]	13,398	7.3%	15,956	7.3%	18,079	7.0%	24,817	7.3%
Discounted bills	5,840	3.2%	3,516	1.6%	12,803	4.9%	44,294	13.1%
Total	**182,306**	**100.0%**	**217,137**	**100.0%**	**259,023**	**100.0%**	**339,138**	**100.0%**

Note:

(1) In the case where a loan is secured by multiple security methods, the classification of the entire loan is based on the major security type.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the percentages of collateralized and pledged loans to our total loans and advances were 58.4%, 62.4%, 60.9% and 55.0%, respectively. The change in the amount of collateralized and pledged loans as a percentage of our total loans and advances to customers reflected the reasonable marginal fluctuations caused by the change in customer structure. The effectiveness of risk prevention and control has long been our focus and we imposed increasingly stringent risk control measures when granting credit to our customers. As a result, the percentage of collateralized and pledged loans to our total loans and advances remained relatively high.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the percentages of our guaranteed loans to our total loans and advances were 31.0%, 28.6%, 27.2% and 24.6%, respectively. The decreases in guaranteed loans as a percentage of total loans and advances were primarily due to the more stringent credit review criteria we imposed on new guaranteed loans in order to effectively control our risks.

Borrowers Concentration

Ten Largest Single Borrowers by Borrowing Amount

Under current PRC banking regulations, the aggregate amount of our loans to any single borrower may not exceed 10% of our net regulatory capital. See "Supervision and Regulation—Other Operation and Risk Management Ratios." The following table sets forth the borrowing amounts of the ten largest single borrowers as of September 30, 2015, calculated based on the applicable CBRC requirements. As of September 30, 2015, all loans extended to these borrowers were classified as pass loans.

	As of September 30, 2015				
Borrower	**Industry**	**Balance(1)**	**% of total loans**	**% of net regulatory capital(2)**	**Categorization**
		(In millions of RMB, except percentages)			
Borrower A	Wholesale and retail trade	3,796	1.1%	6.7%	Pass
Borrower B	Real estate	1,100	0.3%	1.9%	Pass
Borrower C	Construction	1,060	0.3%	1.9%	Pass
Borrower D	Culture, sports and entertainment	1,017	0.3%	1.8%	Pass
Borrower E	Administration of water conservancy, environment and public facilities	1,000	0.3%	1.8%	Pass
Borrower F	Real estate	1,000	0.3%	1.8%	Pass
Borrower G	Construction	938	0.3%	1.7%	Pass
Borrower H	Manufacturing	896	0.3%	1.6%	Pass
Borrower I	Manufacturing	890	0.3%	1.6%	Pass
Borrower J	Administration of water conservancy, environment and public facilities	800	0.2%	1.4%	Pass
Total		**12,497**	**3.7%**	**22.0%**	

Notes:

(1) Includes discounted bills.

(2) Represents loan balances as a percentage of our net regulatory capital, which is calculated according to the requirements of Capital Administrative Measures and financial statements prepared pursuant to PRC GAAP.

Ten Largest Group Borrowers by Credit Amount

Under current PRC banking regulations, the aggregate amount of credit extended to any group borrower may not exceed 15% of our net regulatory capital. See "Supervision and Regulation—Other Operation and Risk Management Ratios." The following table sets forth the ten largest group borrowers in terms of credit extended as of September 30, 2015. As of September 30, 2015, all these loans were classified as pass loans.

	As of September 30, 2015			
Borrower	**Industry**	**Balance(1)**	**% of net regulatory capital(2)**	**Categorization**
	(In millions of RMB, except percentages)			
Group A	Manufacturing	7,182	12.7%	Pass
Group B	Real estate	3,000	5.3%	Pass
Group C	Manufacturing	2,017	3.6%	Pass
Group D	Wholesale and retail trade	1,912	3.4%	Pass
Group E	Manufacturing	1,798	3.2%	Pass
Group F	Leasing and commercial services	1,767	3.1%	Pass
Group G	Wholesale and retail trade	1,605	2.8%	Pass
Group H	Administration of water conservancy, environment and public facilities	1,500	2.6%	Pass
Group I	Mining	1,200	2.1%	Pass
Group J	Real estate	1,100	1.9%	Pass
Total		**23,082**	**40.7%**	

Notes:
(1) Includes discounted bills and excludes security deposits, bank deposit slips and treasury bonds.
(2) Represents the balance, net of security deposits, bank deposit slips and treasury bonds, as a percentage of our net regulatory capital. It is calculated according to the requirements of Capital Administrative Measures and financial statements prepared pursuant to PRC GAAP.

Maturity Profile of Loans to Customers

The following table sets forth the scheduled maturities, defined as time remaining until maturity, of our loans to customers as of the date indicated:

	As of September 30, 2015				
	Due within 1 year	**Due between 1 and 5 years**	**Due more than 5 years**	**Overdue(1)**	**Total**
	(In millions of RMB)				
Corporate loans and advances					
Short-term loans(2)	170,011	—	—	5,194	175,205
Medium- and long-term loans	24,492	68,141	11,276	400	104,309
Subtotal	**194,503**	**68,141**	**11,276**	**5,595**	**279,514**
Personal loans and advances					
Personal business loans	48,487	7,788	2	1,138	57,415
Residential mortgage loans	1	77	1,741	3	1,822
Others(3)	375	4	—	7	387
Subtotal	**48,864**	**7,870**	**1,743**	**1,147**	**59,624**
Total	**243,367**	**76,010**	**13,019**	**6,742**	**339,138**

Notes:
(1) Refers to customer loans where the payment of principal or interest is overdue.
(2) Includes discounted bills.
(3) Primarily includes personal consumption loans and credit card overdrafts.

As of September 30, 2015, 71.8% of our loans and advances to customers were due within one year, most of which were short-term corporate loans and advances.

Loan Interest Rate Profile

In recent years, the PBOC has implemented a series of initiatives to gradually liberalize interest rates and move towards a more market-based interest rate regime. In July 2013, the PBOC removed the lower limit of the floating range of lending interest rates (excluding residential mortgage loans), providing more flexibility to the commercial banks in the PRC to determine their own lending interest rates. As of September 30, 2015, most of our loans were floating interest rate loans. For loans with floating interest rates, we generally adjust our interest rates in the next pricing period after the benchmark interest rates are adjusted.

Since October 27, 2008, the interest rates of residential mortgage loans have been set at a level of not less than 70% of the PBOC benchmark lending rates, and since April 17, 2010, the interest rates of residential mortgage loans to second-home buyers may not be lower than 110% of the PBOC benchmark lending rates. See "Supervision and Regulation—Pricing for Products and Services."

Asset Quality of Our Loan Portfolio

We measure and manage the asset quality of our loans to customers through our loan classification system. We generally classify our loans to customers using a five-category loan classification system, which complies with the CBRC's guidelines. See "Supervision and Regulation—Loan Classification, Allowances and Write-offs—Loan Classification."

Loan Classification

We measure and manage the quality of our loans to customers based on the *Guidelines on Risk-Based Classification of Loans* (《貸款風險分類指引》) issued by the CBRC and the loan classification principle. The loan classification principle provides that the principal determination in classifying a loan should be based on the assessment of the repayment ability of the borrower. Based on the loan classification principle, we have also developed our own detailed operating rules relating to loan classification. The factors we generally consider include: (i) the borrower's ability to repay the loan; (ii) repayment record of the borrower; (iii) borrower's willingness to repay; (iv) profitability of the project being financed by the loans; (v) the realizable value of any collateral and the prospect for support from any guarantor; (vi) legal responsibility to repay the loan; and (vii) our credit risk management policy. The key factors for each loan category are listed below. See "Risk Management—Credit Risk Management—Credit Risk Management for Loans to Large and Medium Enterprises—Loan Classification."

We classify our loans and advances (including discounted bills) according to the above criteria. Set forth below are the major factors that we consider for each loan classification.

Pass. The borrower is able to perform the contract and there is no sufficient reason to doubt the borrower's ability to repay principal and make interest payments in full on a timely basis. Pass loans and advances primarily have the following characteristics:

- The borrower is in normal production and operating conditions, demonstrating reasonable key operational indicators and willingness to repay;

- The loan guarantees are legal and valid, and the second source of repayment is highly secured; and
- Even if negative factors have occurred to the borrower, the borrower's ability to make repayment in full on a timely basis would not be affected.

Special Mention. The borrower is able to repay principal and make interest payments, but there are factors that may adversely affect the borrower's ability to repay. Special mention loans and advances primarily have the following characteristics:

- Principal or interest is overdue for no more than 90 days;
- Any change in the external environments, including macro-economy, industry, market or technology is expected to impose an adverse impact on the borrower's normal production and operation, but there is no obvious indication of the borrower's inability to repay the debt; and
- The value of the collateral (pledge) decreased or the guarantor's operations and conditions deteriorated.

Substandard. There are obvious problems with the borrower's ability to repay, such that it cannot rely entirely on normal business revenues to repay principal and interest, and losses may result even if collateral or guarantee obligations are enforced. Substandard loans and advances primarily have the following characteristics:

- Principal or interest is overdue for more than 90 days (non-inclusive);
- The borrower maliciously evades its debt liabilities through measures such as corporate merger or division and the principal or interest is overdue; and
- The borrower is involved in major commercial lawsuit(s) that substantially affect its normal operating activities, causing obvious inability to repay.

Doubtful. The borrower cannot repay principal and interest of loans in full and on a timely basis and significant losses will occur even if the security is enforced. Doubtful loans and advances primarily have the following characteristics:

- Principal or interest is overdue for more than 180 days (non-inclusive);
- The borrower has no source of income and significant losses will occur even if the security is enforced;
- The borrower is insolvent and significant losses will occur even if the security is enforced; and
- The underlying project is discontinued and significant losses will occur even if the security is enforced.

Loss. No principal and interest or only a minimal portion of principal and interest of loans could be recovered after all possible measures have been taken and all legal remedies have been exhausted. Loss loans and advances primarily have the following characteristics:

- The borrower is declared terminated, closed down or dissolved and all necessary proceedings are completed, during the process of which we have actively sought recovery of the loans yet the loans cannot be recovered;

- The borrower's operating activities are suspended and will not resume. Even if the security could be enforced, losses will occur;
- The borrower's operating activities are not suspended, but its products could not be sold in the market, or the borrower is insolvent, suffers significant losses, or is on the verge of bankruptcy. Even if security could be enforced, losses will occur;
- The borrower has been legally declared bankrupt, closed down, dissolved or terminated upon completion of all necessary proceedings, during the process of which we actively sought repayment from both the borrower and the guarantor but the debt is nevertheless unrecoverable. If the borrower did not finish all necessary proceedings within two years after the court declared its bankruptcy, during the process of which we actively sought repayment from both the borrower and the guarantor, the debt is nevertheless unrecoverable as certified by the court or the receiver;
- If the borrower died, was declared lost or dead according to *General Principles of Civil Law of the PRC*, or lost full capacity to perform civil actions or work duties, although we actively sought the repayment from the borrower's property, estate and the guarantor, the debt is nevertheless unrecoverable;
- We are unable to recover the debts after liquidation of the borrower's assets and having recourse to the guarantor, as the borrower suffered from material natural disasters or accidents which resulted in substantial losses and was not covered by insurance, or was still unable to pay off part or all of the debts even with the insurance compensation;
- We are unable to recover the debts after the borrower was incapacitated by judicial punishment for violation of criminal laws and there was neither sufficient property to repay the debt nor any other debtor who was liable under the same debt;
- After filing a non-payment lawsuit, we are nevertheless unable to recover the loan for more than one year after the foreclosure procedure was imposed against the borrower or the guarantor, even if the borrower or the guarantor has assets that could be foreclosed; or the court ordered the foreclosure procedure to cease or suspend due to substantial hardship of enforcing foreclosure, even if the borrower or the guarantor has assets that could be foreclosed; or the court ordered the foreclosure procedure to cease because the borrower or the guarantor has no remaining assets to be foreclosed;
- Under the reorganization plan or settlement agreement approved by the court in the reorganization proceedings or during the judicial action that we brought against the borrower or the guarantor pursuant to the Bankruptcy Law, we are unable to recover the full amount of the debt; and
- We are unable to recover the unsecured (unpledged) personal loans, invalid secured (pledged) loans, or the secured loans where collateral (pledge) was already disposed of, all having an outstanding balance of less than RMB0.1 million (inclusive), despite recovery efforts lasting more than one year.

We will also refer to the risk classification matrix based on the time overdue issued by the CBRC, when we use loan classification standards to classify personal loans and advances. The following table sets forth the five-category classification of personal loans and advances by the length of time overdue and by type of security.

	Time Overdue								
Types of security	Current	1-30 days	31-60 days	61-90 days	91-120 days	121-180 days	181-270 days	271-360 days	Over 361 days
Secured by pledges	Pass	Pass	Pass	Pass	Special mention	Special mention	Substandard	Substandard	Doubtful
Secured by collateral	Pass	Pass	Special mention	Special mention	Special mention	Special mention	Substandard	Substandard	Doubtful
Guaranteed	Pass	Pass	Special mention	Special mention	Substandard	Substandard	Doubtful	Doubtful	Loss
Unsecured	Pass	Special mention	Substandard	Substandard	Doubtful	Doubtful	Doubtful	Doubtful	Loss

Five-Category Loan Classification

The following table sets forth, as of the dates indicated, our loans to customers in each category of the five-category loan classification. Our "non-performing loans" has the same meaning as "impaired loans," which refers to the loans recognized as "impaired loans and advances to customers" in Note 39.1.2 to "Appendix I—Accountant's Report" of this prospectus, including loans to customers that are classified as substandard, doubtful and loss. As of September 30, 2015, we recorded non-performing loans of RMB4,135 million. The following table sets forth our loans to customers under the five-category loan classification as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Pass	179,702	98.6%	213,350	98.3%	253,093	97.7%	328,868	97.0%
Special mention	1,758	1.0%	2,400	1.1%	3,639	1.4%	6,135	1.8%
Substandard	688	0.4%	1,105	0.5%	1,504	0.6%	1,800	0.5%
Doubtful	131	0.1%	277	0.1%	769	0.3%	2,259	0.7%
Loss	27	0.0%	5	0.0%	17	0.0%	77	0.0%
Total	**182,306**	**100.0%**	**217,137**	**100.0%**	**259,023**	**100.0%**	**339,138**	**100.0%**
Non-performing loan ratio		0.46%		0.64%		0.88%		1.22%

The following table sets forth the distribution of our loans to customers by business type and by the five-category loan classification as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Corporate loans and advances(1)								
Pass	144,932	79.5%	170,811	78.7%	201,724	77.9%	270,242	79.7%
Special mention	1,678	0.9%	2,206	1.0%	3,298	1.3%	5,578	1.6%
Substandard	637	0.3%	962	0.4%	1,267	0.5%	1,553	0.5%
Doubtful	110	0.1%	227	0.1%	660	0.3%	2,091	0.6%
Loss	26	0.0%	1	0.0%	3	0.0%	49	0.0%
Subtotal	**147,384**	**80.8%**	**174,206**	**80.2%**	**206,952**	**79.9%**	**279,514**	**82.4%**
Corporate non-performing loan ratio(2)		0.52%		0.68%		0.93%		1.32%
Personal loans and advances								
Pass	34,770	19.1%	42,539	19.6%	51,369	19.8%	58,625	17.3%
Special mention	80	0.0%	195	0.1%	341	0.1%	557	0.2%
Substandard	51	0.0%	143	0.1%	238	0.1%	247	0.1%
Doubtful	21	0.0%	51	0.0%	109	0.0%	167	0.0%
Loss	0	0.0%	4	0.0%	15	0.0%	27	0.0%
Subtotal	**34,922**	**19.2%**	**42,931**	**19.8%**	**52,071**	**20.1%**	**59,624**	**17.6%**
Personal non-performing loan ratio(2)		0.21%		0.46%		0.69%		0.74%
Total loans to customers	**182,306**	**100.0%**	**217,137**	**100.0%**	**259,023**	**100.0%**	**339,138**	**100.0%**
Non-performing loan ratio(2)		0.46%		0.64%		0.88%		1.22%

Notes:
(1) Includes discounted bills.
(2) Calculated by dividing non-performing loans (loans classified as substandard, doubtful and loss) in each business type by total loans and advances in that business type.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the non-performing loan ratios (defined as non-performing loans divided by our total loans and advances to customers) were 0.46%, 0.64%, 0.88% and 1.22%, respectively, mainly because of the slowdown in the PRC economic growth, which resulted in a deterioration of the repayment ability of certain clients.

Changes in Asset Quality of Our Loans

Movements in Non-performing Loans

The following table sets forth the movement of our non-performing loans for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,
	2012	2013	2014	2015
	(In millions of RMB)			
Balance at beginning of the period	360	845	1,387	2,290
Increases	1,076	1,977	4,705	4,709
Decreases	592	1,435	3,801	2,865
Write-offs	35	188	497	799
Disposals	—	488	1,603	731
Recoveries	520	752	1,679	1,314
Upgrades	37	7	22	21
Balance at the end of the period	**845**	**1,387**	**2,290**	**4,135**

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our total write-offs and disposals were RMB35 million, RMB676 million, RMB2,100 million and RMB1,530 million, respectively. Changes in our write-offs and disposals were mainly because (i) our non-performing loans increased over the years due to an increase of our total loans and a slowdown in the PRC economic growth, and the amount of write-offs and disposals increased accordingly; (ii) we strictly complied with regulatory requirements and disposed of non-performing loans in a timely and efficient manner. As a result, the amount of the non-performing loans that met the criteria of write-offs and disposals increased.

The following table sets forth the migration ratios of our loan portfolio for the periods indicated, calculated in accordance with the applicable CBRC requirements:

	For the year ended December 31,			For the nine months ended September 30,
	2012	2013	2014	2015
Pass and special mention loans(1)	2.29%	1.06%	1.86%	2.82%
Pass loans(2)	2.99%	2.40%	3.20%	3.64%
Special mention loans(3)	15.95%	39.50%	46.22%	75.63%
Substandard loans(4)	21.24%	8.67%	93.08%	73.67%
Doubtful loans(5)	22.99%	33.65%	7.28%	18.55%

Notes:

(1) Represents migration ratios of loans classified as pass or special mention which were downgraded to other classifications. The migration ratio of pass and special mention loans represents a fraction, the numerator of which equals the sum of (i) loans classified as pass at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and (ii) loans classified as special mention at the beginning date of the period and downgraded to non-performing classifications at the end of the period, and the denominator of which equals the sum of (i) the difference between the balance of pass loans at the beginning date of the period and the decrease, in the period, in the loans which were classified as pass at the beginning date of the period, and (ii) the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.

(2) Represents migration ratio of loans classified as pass which were downgraded to other classifications. The pass loan migration ratio represents a fraction, the numerator of which equals loans classified as pass at the beginning date of the period and downgraded to lower classifications, and the denominator of which equals the difference between the balance of pass loans at the beginning date of the period and the decrease in such loans in the period.

(3) Represents migration ratio of loans classified as special mention which were downgraded to other classifications. The special mention loan migration ratio represents a fraction, the numerator of which equals the loans which were classified as special mention at the beginning date of the period and downgraded to lower classifications, and the denominator of which equals the difference between the balance of special mention loans at the beginning date of the period and the decrease in such loans in the period.

(4) Represents migration ratio of loans classified as substandard which were downgraded to other classifications. The substandard loan migration ratio represents a fraction, the numerator of which equals the loans classified as substandard at the beginning date of the period and downgraded to other classifications, and the denominator of which equals the difference between the balance of substandard loans at the beginning date of the period and the decrease in such loans in the period.
(5) Represents migration ratio of loans classified as doubtful which were downgraded to other classifications. The doubtful loan migration ratio represents a fraction, the numerator of which equals the loans classified as doubtful at the beginning date of the period and downgraded to other classifications, and the denominator of which equals the difference between the balance of doubtful loans at the beginning date of the period and the decrease in such loans in the period.

Distribution of Non-Performing Loans by Product Type

The following table sets forth the distribution of our non-performing loans by product type as of the dates indicated:

	As of December 31,									As of September 30,		
	2012			2013			2014			2015		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(In millions of RMB, except percentages)											
Corporate loans and advances												
Short-term loans(2)	523	61.9%	0.55%	872	62.9%	0.81%	1,879	82.0%	1.56%	3,612	87.4%	2.06%
Medium- or long-term loans	250	29.6%	0.47%	317	22.9%	0.48%	51	2.2%	0.06%	81	2.0%	0.08%
Subtotal	773	91.5%	0.52%	1,190	85.8%	0.68%	1,930	84.2%	0.93%	3,693	89.3%	1.32%
Personal loans and advances												
Personal business loans	70	8.3%	0.21%	196	14.2%	0.47%	359	15.7%	0.70%	439	10.6%	0.77%
Residential mortgage loans	1	0.1%	0.17%	1	0.1%	0.15%	2	0.1%	0.25%	2	0.0%	0.11%
Other loans(3)	—	—	—	—	—	—	—	—	—	0	0.0%	0.07%
Subtotal	72	8.5%	0.21%	197	14.2%	0.46%	361	15.8%	0.69%	442	10.7%	0.74%
Total	**845**	**100.0%**	**0.46%**	**1,387**	**100.0%**	**0.64%**	**2,290**	**100.0%**	**0.88%**	**4,135**	**100.0%**	**1.22%**

Notes:
(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful and loss) in each product type by total loans and advances in that product type.
(2) Includes discounted bills.
(3) Mainly includes personal consumption loans and credit card overdrafts.

Our non-performing loans increased by 64.1% from RMB845 million as of December 31, 2012 to RMB1,387 million as of December 31, 2013, by 65.2% to RMB2,290 million as of December 31, 2014. As of September 30, 2015, our non-performing loans amounted to RMB4,135 million. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the non-performing loan ratios were 0.46%, 0.64%, 0.88%, and 1.22%, respectively.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the non-performing loan ratios of our corporate loans and advances (including discounted bills) were 0.52%, 0.68%, 0.93% and 1.32%, respectively. The increase in the non-performing loan ratios of our corporate loans and advances as of December 31, 2012, 2013 and 2014 and September 30, 2015 was primarily because the repayment ability of certain of our customers weakened as a result of the slowdown and the structural adjustment of the PRC economy.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the non-performing loan ratios of our personal loans and advances were 0.21%, 0.46%, 0.69% and 0.74%, respectively. The non-performing loan ratios of our personal loans and advances increased during the period from December 31, 2012 to September 30, 2015 mainly because the repayment ability of certain of our personal business loans customers weakened due to the impact of the changes in the macro economic environment.

Distribution of Corporate Non-Performing Loans by Industry

The following table sets forth the distribution of our corporate non-performing loans by industry as of the dates indicated:

	As of December 31,									As of September 30,		
	2012			2013			2014			2015		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(In millions of RMB, except percentages)											
Manufacturing	567	73.3%	1.30%	783	65.8%	1.62%	1,300	67.4%	2.92%	2,305	62.4%	4.66%
Wholesale and retail trade	106	13.7%	0.47%	223	18.8%	0.73%	403	20.9%	1.33%	864	23.4%	2.19%
Real estate	—	—	—	—	—	—	—	—	—	26	0.7%	0.07%
Leasing and commercial services	40	5.2%	0.28%	8	0.7%	0.04%	48	2.5%	0.17%	39	1.1%	0.12%
Administration of water conservancy, environment and public facilities	—	—	—	7	0.5%	0.07%	—	—	—	—	—	—
Construction	61	7.9%	0.45%	45	3.8%	0.32%	75	3.9%	0.44%	386	10.4%	1.91%
Transportation, storage and postal service	—	—	—	73	6.1%	1.16%	77	4.0%	1.29%	13	0.4%	0.21%
Electricity, gas and water production and supply	—	—	—	40	3.4%	0.84%	—	—	—	—	—	—
Accommodation and catering	—	—	—	—	—	—	5	0.3%	0.15%	6	0.2%	0.15%
Financing	—	—	—	—	—	—	—	—	—	—	—	—
Mining	—	—	—	—	—	—	—	—	—	29	0.8%	0.93%
Public administration and social organizations	—	—	—	—	—	—	—	—	—	—	—	—
Culture, sports and entertainment	—	—	—	5	0.4%	0.50%	5	0.2%	0.64%	—	—	—
Agriculture, forestry, animal husbandry and fishery	—	—	—	5	0.4%	0.55%	15	0.8%	1.58%	5	0.1%	0.30%
Information transmission, computer services and software	—	—	—	—	—	—	1	0.1%	0.10%	11	0.3%	0.82%
Household services and other services	—	—	—	—	—	—	—	—	—	3	0.1%	0.33%
Scientific research, technology services and geological prospecting	—	—	—	—	—	—	—	—	—	0	0.0%	0.04%
Health, social security and social welfare	—	—	—	—	—	—	—	—	—	—	—	—
Education	—	—	—	—	—	—	—	—	—	6	0.2%	1.78%
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Total	**773**	**100.0%**	**0.52%**	**1,190**	**100.0%**	**0.68%**	**1,930**	**100.0%**	**0.93%**	**3,693**	**100.0%**	**1.32%**

Note:

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful and loss) in each industrial category by total loans and advances in that industrial category.

As of September 30, 2015, 62.4% of our non-performing corporate loans were attributable to the manufacturing industry, mainly because corporate loans to manufacturing customers are the largest component of our corporate loans and advances. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our non-performing loan ratios of corporate loans and advances in the manufacturing industry were 1.30%, 1.62%, 2.92% and 4.66%, respectively, reflecting the deterioration of the profitability and repayment ability of certain borrowers in the manufacturing industry due to the adverse impact of the economic growth slowdown. The percentage of our non-performing loans in the manufacturing industry to the total non-performing corporate loans and advances decreased from 73.3% as of December 31, 2012 to 62.4% as of September 30, 2015, primarily because we adjusted our loan extension policies, enhanced our credit review criteria based on the industry risk assessment, and decreased the percentage of loans extended to the manufacturing industry.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our non-performing loans in the wholesale and retail trade industry accounted for 13.7%, 18.8%, 20.9% and 23.4% of our total non-performing corporate loans and advances, respectively. The overall increase in the percentage of the non-performing loans in this industry from December 31, 2012 to September 30, 2015 is mainly due to the deterioration of the profitability and repayment ability of certain wholesale and retail clients as a result of the economic growth slowdown.

As of December 31, 2012, 2013 and 2014, there was no non-performing loan in our loans to the real estate industry. As of September 30, 2015, the non-performing loan ratio of our loans to the real estate industry was 0.07%.

Distribution of Non-Performing Loans by Geographical Region

The following table sets forth the distribution of our non-performing loans by geographical region as of the dates indicated:

	As of December 31,									As of September 30,		
	2012			2013			2014			2015		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
	(In millions of RMB, except percentages)											
Eastern China	843	99.8%	0.74%	1,136	81.9%	0.86%	1,787	78.0%	1.14%	3,472	84.0%	1.69%
Northern China	2	0.2%	0.01%	232	16.8%	0.55%	371	16.2%	0.74%	405	9.8%	0.63%
Western China.	0	0.0%	0.00%	10	0.7%	0.03%	114	5.0%	0.28%	247	6.0%	0.47%
Southern China	—	—	—	9	0.6%	0.09%	18	0.8%	0.16%	10	0.3%	0.06%
Total	**845**	**100.0%**	**0.46%**	**1,387**	**100.0%**	**0.64%**	**2,290**	**100.0%**	**0.88%**	**4,135**	**100.0%**	**1.22%**

Note:

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful and loss) in each region by total loans and advances in that region.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the non-performing loans were primarily from Eastern China, mainly because (i) loans to customers in Eastern China constituted the largest component of our loans; and (ii) certain customers in Eastern China experienced large impact of China's macroeconomic structural adjustment during the period. See "—Assets—Loans and

Advances to Customers by Geographical Region" for the distribution of loans to customers by geographical region and "—Assets—Changes in the Asset Quality of Our Loans—Movements in Non-performing Loans" for a general discussion on these movements.

Distribution of Non-performing Loans by Security Type

The following table sets forth the distribution of our non-performing loans by type of security as of the dates indicated:

	As of December 31,									As of September 30,		
	2012			2013			2014			2015		
	Amount	% of total	NPL ratio[(1)]	Amount	% of total	NPL ratio[(1)]	Amount	% of total	NPL ratio[(1)]	Amount	% of total	NPL ratio[(1)]
	(In millions of RMB, except percentages)											
Corporate loans and advances[(2)]												
Collateralized loans	208	24.6%	0.32%	415	29.9%	0.51%	935	40.8%	1.00%	1,643	39.7%	1.73%
Pledged loans	40	4.7%	0.37%	—	—	—	8	0.3%	0.05%	8	0.2%	0.02%
Guaranteed loans	526	62.2%	1.01%	576	41.5%	0.99%	788	34.4%	1.17%	1,954	47.3%	2.43%
Unsecured loans	—	—	—	199	14.4%	1.25%	199	8.7%	1.12%	88	2.1%	0.37%
Discounted bills	—	—	—	—	—	—	—	—	—	—	—	—
Subtotal	773	91.5%	0.52%	1,190	85.8%	0.68%	1,930	84.2%	0.93%	3,693	89.3%	1.32%
Personal loans and advances												
Collateralized loans	69	8.2%	0.24%	154	11.1%	0.41%	271	11.8%	0.58%	358	8.6%	0.67%
Pledged loans	—	—	—	—	—	—	0	0.0%	0.00%	0	0.0%	0.01%
Guaranteed loans	3	0.3%	0.06%	43	3.1%	1.04%	89	3.9%	2.66%	82	2.0%	2.55%
Unsecured loans	—	—	—	—	—	—	—	—	—	2	0.0%	0.24%
Subtotal	72	8.5%	0.21%	197	14.2%	0.46%	361	15.8%	0.69%	442	10.7%	0.74%
Total	**845**	**100.0%**	**0.46%**	**1,387**	**100.0%**	**0.64%**	**2,290**	**100.0%**	**0.88%**	**4,135**	**100.0%**	**1.22%**

Notes:

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful and loss) in each type of security by total loans and advances in that type of security.

(2) Includes discounted bills.

Borrowers with the Largest Amount of Non-Performing Loans

The following table sets forth the ten single borrowers with the largest amount of non-performing loans as of the date indicated:

	As of September 30, 2015			
Borrower	Industry	Outstanding Principal Amount	Category	% of total non-performing loans
	(In millions of RMB, except percentages)			
Borrower A	Construction	100	substandard	2.4%
Borrower B	Manufacturing	88	doubtful	2.1%
Borrower C	Wholesale and retail trade	80	doubtful	1.9%
Borrower D	Wholesale and retail trade	79	doubtful	1.9%
Borrower E	Manufacturing	78	doubtful	1.9%
Borrower F	Manufacturing	65	substandard	1.6%
Borrower G	Wholesale and retail trade	63	substandard	1.5%
Borrower H	Manufacturing	60	substandard	1.5%
Borrower I	Manufacturing	50	doubtful	1.2%
Borrower J	Manufacturing	45	doubtful	1.1%

Overdue Loans

The following table sets forth our overdue loans to customers as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Not overdue	180,896	99.2%	215,261	99.1%	254,799	98.4%	332,396	98.0%
Overdue by:[1]								
1 to 90 days	618	0.3%	775	0.4%	1,992	0.8%	2,607	0.8%
91 days to one year	692	0.4%	737	0.3%	1,884	0.7%	3,408	1.0%
More than one year	99	0.1%	365	0.2%	347	0.1%	727	0.2%
Total overdue loans	1,410	0.8%	1,877	0.9%	4,224	1.6%	6,742	2.0%
Total loans and advances to customers	**182,306**	**100.0%**	**217,137**	**100.0%**	**259,023**	**100.0%**	**339,138**	**100.0%**

Note:
(1) Refers to loans for which principal or interest are overdue.

Allowance for Impairment Losses on Loans and Advances to Customers

We assess our loans for impairment losses, determine the level of allowance for impairment losses and recognize any related provisions for a particular year based on the guidelines for impairment losses under IAS 39. Our loans are stated as net loans and advances after deducting the allowance for impairment losses on our statements of financial position.

Loans and advances which are considered individually significant or those with unique credit risk characteristics are assessed individually for asset impairment losses. The allowance for impairment losses on loans and advances is measured as the difference between the carrying amounts and the estimated recoverable amounts of the loans. The estimated recoverable amounts are the present value of the estimated future recoverable cash flows of the loans, including the recoverable value of the collateral.

Financial assets that are individually significant are assessed individually. The financial assets that are not individually significant are either individually assessed or collectively assessed together with the rest of the asset portfolio. Financial assets that are not impaired after individual assessments are conducted (including individually significant and individually insignificant financial assets) should be assessed again along with the entire asset portfolio that contains similar credit risks. However, financial assets that are confirmed to be impaired in individual assessments should not be assessed again along with the entire portfolio of financial assets with similar credit risks.

We review regularly our loan portfolios to assess impairment loss, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, we make judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in that portfolio (e.g. payment default), or national or local economic conditions that correlate with defaults on the portfolio of loans. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances are collectively assessed for impairment, our management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred.

The following table sets forth our allowance for impairment losses on loans to customers as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Collectively assessed	3,326	93.3%	4,230	92.6%	6,126	91.3%	8,207	87.2%
Individually assessed	239	6.7%	336	7.4%	584	8.7%	1,204	12.8%
Total	**3,565**	**100.0%**	**4,566**	**100.0%**	**6,710**	**100.0%**	**9,412**	**100.0%**

Allowance for Impairment Losses on Loans by Loan Classification

The following table sets forth the distribution of our allowance for impairment losses on loans by the five-category classification as of the dates indicated:

	As of December 31,									As of September 30,		
	2012			2013			2014			2015		
	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)
	(In millions of RMB, except percentages)											
Pass	3,222	90.4%	1.79%	4,043	88.5%	1.90%	5,729	85.4%	2.26%	7,422	78.9%	2.26%
Special mention	31	0.9%	1.79%	45	1.0%	1.89%	82	1.2%	2.26%	139	1.5%	2.26%
Substandard	211	5.9%	30.69%	316	6.9%	28.60%	442	6.6%	29.37%	528	5.6%	29.32%
Doubtful	74	2.1%	56.61%	157	3.4%	56.62%	440	6.6%	57.20%	1,247	13.2%	55.19%
Loss	27	0.7%	100.00%	5	0.1%	100.00%	17	0.3%	100.00%	77	0.8%	100.00%
Total	**3,565**	**100.0%**	**1.96%**	**4,566**	**100.0%**	**2.10%**	**6,710**	**100.0%**	**2.59%**	**9,412**	**100.0%**	**2.78%**

Note:
(1) Calculated by dividing the allowance for impairment losses on loans in each category by total loans and advances in that category.

The following table sets forth the distribution of our allowance for impairment losses on loans by business type and loan classification category as of the dates indicated:

	As of December 31,									As of September 30,		
	2012			2013			2014			2015		
	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)
	(In millions of RMB, except percentages)											
Corporate loans and advances(2)												
Pass	2,600	72.9%	1.79%	3,239	70.9%	1.90%	4,568	68.1%	2.26%	6,097	64.8%	2.26%
Special mention	30	0.8%	1.79%	42	0.9%	1.89%	75	1.1%	2.26%	126	1.3%	2.26%
Substandard	198	5.6%	31.14%	280	6.1%	29.14%	382	5.7%	30.19%	466	4.9%	30.00%
Doubtful	64	1.8%	57.85%	132	2.9%	58.10%	385	5.7%	58.38%	1,163	12.4%	55.60%
Loss	26	0.7%	100.00%	1	0.0%	100.00%	3	0.0%	100.00%	49	0.5%	100.00%
Subtotal	2,918	81.8%	1.98%	3,694	80.9%	2.12%	5,413	80.7%	2.62%	7,901	84.0%	2.83%
Personal loans and advances												
Pass	622	17.5%	1.79%	804	17.6%	1.89%	1,161	17.3%	2.26%	1,325	14.1%	2.26%
Special mention	1	0.0%	1.79%	4	0.1%	1.89%	8	0.1%	2.26%	13	0.1%	2.26%
Substandard	13	0.4%	24.99%	36	0.8%	25.00%	59	0.9%	25.00%	62	0.7%	25.00%
Doubtful	10	0.3%	50.01%	25	0.6%	50.00%	54	0.8%	50.00%	84	0.9%	50.01%
Loss	0	0.0%	100.00%	4	0.1%	100.00%	15	0.2%	100.00%	27	0.3%	100.00%
Subtotal	647	18.2%	1.85%	872	19.1%	2.03%	1,297	19.3%	2.49%	1,510	16.0%	2.53%
Total	**3,565**	**100.0%**	**1.96%**	**4,566**	**100.0%**	**2.10%**	**6,710**	**100.0%**	**2.59%**	**9,412**	**100.0%**	**2.78%**

Notes:
(1) Calculated by dividing the allowance for impairment losses on loans in each category by total loans and advances in that category.
(2) Includes discounted bills.

Allowance for Impairment Losses on Loans by Product Type

The following table sets forth the distribution of our allowance for impairment losses on loans by product type as of the dates indicated:

	As of December 31,									As of September 30,		
	2012			2013			2014			2015		
	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)
	(In millions of RMB, except percentages)											
Corporate loans and advances												
Short-term loans(2)	1,912	53.6%	2.03%	2,369	51.9%	2.19%	3,440	51.3%	2.86%	5,507	58.5%	3.14%
Medium- and long-term loans	1,006	28.2%	1.90%	1,325	29.0%	2.01%	1,973	29.4%	2.28%	2,394	25.4%	2.30%
Subtotal	2,918	81.8%	1.98%	3,694	80.9%	2.12%	5,413	80.7%	2.62%	7,901	84.0%	2.83%
Personal loans and advances												
Personal business loans	629	17.6%	1.85%	855	18.7%	2.03%	1,278	19.0%	2.49%	1,459	15.5%	2.54%
Residential mortgage loans	12	0.3%	1.83%	12	0.3%	1.95%	15	0.2%	2.35%	42	0.4%	2.30%
Others(3)	6	0.2%	1.79%	5	0.1%	1.89%	3	0.0%	2.26%	9	0.1%	2.27%
Subtotal	647	18.2%	1.85%	872	19.1%	2.03%	1,297	19.3%	2.49%	1,510	16.0%	2.53%
Total	**3,565**	**100.0%**	**1.96%**	**4,566**	**100.0%**	**2.10%**	**6,710**	**100.0%**	**2.59%**	**9,412**	**100.0%**	**2.78%**

Notes:

(1) Calculated by dividing the allowance for impairment losses on loans in each category by total loans and advances in that category.

(2) Includes discounted bills.

(3) Mainly includes personal consumption loans and credit card overdrafts.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our allowance to loans ratios, which are calculated as the total allowance for impairment losses on loans divided by total loans and advances to customers, were 1.96%, 2.10%, 2.59% and 2.78%, respectively.

Allowance for Impairment Losses on Corporate Loans and Advances by Industry

The following table sets forth the breakdown of our allowance for impairment losses on corporate loans and advances by industry as of the dates indicated:

	As of December 31,									As of September 30,		
	2012			2013			2014			2015		
	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)	Amount	% of total	Allowance to loans ratio(1)
	(In millions of RMB, except percentages)											
Manufacturing	957	32.8%	2.20%	1,169	31.6%	2.41%	1,475	27.2%	3.31%	2,083	26.4%	4.21%
Wholesale and retail trade	459	15.7%	2.02%	650	17.6%	2.13%	849	15.7%	2.80%	1,317	16.7%	3.33%
Real estate	362	12.4%	1.79%	479	13.0%	1.89%	795	14.7%	2.26%	874	11.1%	2.28%
Leasing and commercial services	270	9.2%	1.87%	378	10.2%	1.90%	654	12.1%	2.31%	778	9.8%	2.30%
Administration of water conservancy, environment and public facilities	131	4.5%	1.79%	174	4.7%	1.91%	343	6.3%	2.26%	511	6.5%	2.26%
Construction	272	9.3%	2.03%	284	7.7%	1.99%	409	7.6%	2.41%	611	7.7%	3.02%
Transportation, storage and postal service	108	3.7%	1.79%	140	3.8%	2.22%	179	3.3%	2.99%	150	1.9%	2.36%
Electricity, gas and water production and supply	65	2.2%	1.79%	113	3.1%	2.38%	95	1.8%	2.26%	97	1.2%	2.26%
Accommodation and catering	45	1.6%	1.79%	57	1.5%	1.89%	73	1.4%	2.29%	88	1.1%	2.33%
Financing	7	0.2%	1.79%	9	0.2%	1.89%	13	0.2%	2.26%	76	1.0%	2.26%
Mining	58	2.0%	1.79%	54	1.5%	1.89%	72	1.3%	2.26%	89	1.1%	2.80%
Public administration and social organizations	11	0.4%	1.79%	16	0.4%	1.89%	35	0.7%	2.26%	52	0.7%	2.26%
Culture, sports and entertainment	13	0.5%	1.79%	19	0.5%	2.01%	19	0.4%	2.56%	51	0.7%	2.26%
Agriculture, forestry, animal husbandry and fishery	15	0.5%	1.79%	20	0.5%	2.15%	28	0.5%	2.89%	40	0.5%	2.40%
Information transmission, computer services and software	17	0.6%	1.79%	25	0.7%	1.89%	28	0.5%	2.28%	34	0.4%	2.54%
Household services and other services	5	0.2%	1.79%	9	0.3%	1.89%	11	0.2%	2.26%	21	0.3%	2.33%
Scientific research, technology services and geological prospecting	5	0.2%	1.79%	9	0.2%	1.89%	12	0.2%	2.26%	18	0.2%	2.28%
Health, social security and social welfare	3	0.1%	1.79%	5	0.1%	1.89%	11	0.2%	2.26%	12	0.2%	2.26%
Education	6	0.2%	1.79%	7	0.2%	1.89%	12	0.2%	2.26%	9	0.1%	2.67%
Discounted bills	110	3.8%	1.89%	77	2.1%	2.20%	299	5.5%	2.33%	991	12.5%	2.24%
Total	**2,918**	**100.0%**	**1.98%**	**3,694**	**100.0%**	**2.12%**	**5,413**	**100.0%**	**2.62%**	**7,901**	**100.0%**	**2.83%**

Note:

(1) Calculated by dividing the allowance for impairment losses on loans in each category by total loans and advances in that category.

Allowance for Impairment Losses on Loans by Geographical Region

The following table sets forth the distribution of our allowance for impairment losses on loans by geographical region as of the dates indicated:

	As of December 31,									As of September 30,		
	2012			2013			2014			2015		
	Amount	% of total	Allowance to loans ratio[(1)]	Amount	% of total	Allowance to loans ratio[(1)]	Amount	% of total	Allowance to loans ratio[(1)]	Amount	% of total	Allowance to loans ratio[(1)]
	(In millions of RMB, except percentages)											
Eastern China	2,355	66.0%	2.06%	2,892	63.3%	2.19%	4,177	62.2%	2.66%	6,102	64.8%	2.98%
Northern China	568	15.9%	1.77%	855	18.7%	2.03%	1,316	19.6%	2.63%	1,631	17.3%	2.56%
Western China	498	14.0%	1.78%	641	14.0%	1.90%	959	14.3%	2.35%	1,277	13.6%	2.42%
Southern China	145	4.1%	1.79%	178	3.9%	1.91%	258	3.8%	2.32%	402	4.3%	2.28%
Total	**3,565**	**100.0%**	**1.96%**	**4,566**	**100.0%**	**2.10%**	**6,710**	**100.0%**	**2.59%**	**9,412**	**100.0%**	**2.78%**

Note:
(1) Calculated by dividing the allowance for impairment losses on loans in each region by total loans and advances in that region.

Allowance for Impairment Losses on Non-performing Loans by Geographical Region

The following tables set forth the distribution of our non-performing loans and the amount of individually-assessed and collectively-assessed allowance for impairment losses on such non-performing loans by geographical region as of the dates indicated:

	As of December 31, 2012		
	Non-performing loan	Individually-assessed allowance for impairment losses	Collectively-assessed allowance for impairment losses
	(In millions of RMB)		
Eastern China	843	239	72
Northern China	2	—	1
Western China	0	—	0
Southern China	—	—	—
Total	**845**	**239**	**73**

	As of December 31, 2013		
	Non-performing loan	Individually-assessed allowance for impairment losses	Collectively-assessed allowance for impairment losses
	(In millions of RMB)		
Eastern China	1,136	276	128
Northern China	232	60	9
Western China	10	—	2
Southern China	9	—	2
Total	**1,387**	**336**	**142**

	As of December 31, 2014		
	Non-performing loan	Individually-assessed allowance for impairment losses	Collectively-assessed allowance for impairment losses
	(In millions of RMB)		
Eastern China	1,787	363	291
Northern China	371	184	12
Western China	114	37	5
Southern China	18	—	7
Total	**2,290**	**584**	**315**

	As of September 30, 2015		
	Non-performing loan	Individually-assessed allowance for impairment losses	Collectively-assessed allowance for impairment losses
	(In millions of RMB)		
Eastern China	3,472	972	589
Northern China	405	155	43
Western China	247	78	12
Southern China	10	—	3
Total	**4,135**	**1,204**	**646**

Movements in Allowance for Impairment Losses on Loans to Customers

The following table sets forth the movements in allowance for impairment losses on loans as of the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,
	2012	2013	2014	2015
	(In millions of RMB)			
Balance at the beginning of the year/period	2,559	3,565	4,566	6,710
Net impairment allowances charged to profit or loss	1,062	1,699	4,280	4,249
Unwinding of discount on allowance	(20)	(29)	(45)	(74)
Write-offs	(35)	(188)	(497)	(799)
Transfer out	—	(488)	(1603)	(731)
Recoveries	—	7	8	55
Exchange differences	(0)	(1)	1	2
Balance at the end of the year/period	**3,565**	**4,566**	**6,710**	**9,412**

Allowance for impairment losses on loans to customers increased by 28.1% from RMB3,565 million as of December 31, 2012 to RMB4,566 million as of December 31, 2013 and increased by 46.9% to RMB6,710 million as of December 31, 2014. As of September 30, 2015, allowance for impairment losses on loans to customers amounted to RMB9,412 million. The increase in allowance for impairment losses on loans was mainly because (i) our allowance for impairment losses increased as the balance of our loans increased; and (ii) in accordance with the principle of prudence, we gradually increased the collectively-assessed allowance ratio to enhance our ability to resist risks in light of the slowdown of the PRC economic growth.

Financial Investments

Overview

As of December 31, 2012, 2013 and 2014 and September 30, 2015, we held financial investments (including available-for-sale financial assets and held-to-maturity investments and debt instruments classified as receivables, but excluding financial assets at fair value through profit or loss) of RMB30,151 million, RMB44,571 million, RMB236,466 million and RMB459,940 million, representing 7.7%, 9.1%, 35.3% and 45.8%, respectively, of our total assets. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our allowance for impairment losses on financial investments was nil, nil, RMB291 million and RMB769 million, respectively. Except as otherwise indicated, the discussion is based on our net financial investments after taking into account the allowance for impairment losses. Our financial investments are reported net of the allowance for impairment losses on our statement of financial position.

The following table sets forth the breakdown of our financial investments as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Debt investments[1]	30,126	99.9%	44,546	99.9%	236,732	100.0%	460,684	100.0%
Equity investments[2]	25	0.1%	25	0.1%	25	0.0%	25	0.0%
Total financial investments, gross	**30,151**	**100.0%**	**44,571**	**100.0%**	**236,757**	**100.0%**	**460,709**	**100.0%**
Allowance for impairment losses	—		—		(291)		(769)	
Total financial investments, net	**30,151**		**44,571**		**236,466**		**459,940**	

Notes:

(1) Includes government bonds, bonds issued by financial institutions, bonds issued by corporations, asset management plans, trust plans, wealth management products sponsored by banks, interbank forfaiting and interbank certificates of deposits.

(2) Represents our equity investment in China UnionPay.

Our financial investments increased by 47.8% from RMB30,151 million as of December 31, 2012 to RMB44,571 million as of December 31, 2013 and increased by 430.5% to RMB236,466 million as of December 31, 2014. As of September 30, 2015, our financial investments amounted to RMB459,940 million. The significant increase in the financial investments was mainly due to the relatively rapid growth of our investments in wealth management products sponsored by banks, trust plans and asset management plans as well as our continued efforts to develop our financial market business and increase our bond investments.

Debt Investments

Debt investments are the largest component of our financial investments. As of December 31, 2012, 2013 and 2014 and September 30, 2015, debt investments accounted for 99.9%, 99.9%, 100.0% and 100.0%, respectively, of our financial investments.

Our debt investments include government bonds, bonds issued by financial institutions, bonds issued by corporations, asset management plans, trust plans, wealth management products sponsored by banks, interbank forfaiting and interbank certificates of deposits. The following table sets forth the breakdown of our debt investments as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Bond investments								
Government bonds	3,774	12.5%	2,226	5.0%	6,378	2.7%	20,213	4.4%
Bonds issued by financial institutions	15,614	51.8%	21,868	49.1%	30,646	13.0%	42,232	9.2%
Bonds issued by corporations	302	1.0%	1,293	2.9%	6,978	3.0%	5,979	1.3%
Sub-total	19,691	65.4%	25,387	57.0%	44,003	18.6%	68,423	14.9%
Wealth management products sponsored by banks	6,452	21.4%	5,414	12.2%	80,329	34.0%	198,061	43.1%
Trust plans and asset management plans sponsored by other financial institutions	3,983	13.2%	13,745	30.9%	76,229	32.2%	188,340	41.0%
Interbank forfaiting[(1)]	—	—	—	—	32,046	13.6%	3,802	0.8%
Interbank certificates of deposits	—	—	—	—	3,834	1.6%	1,288	0.3%
Total	**30,126**	**100.0%**	**44,546**	**100.0%**	**236,441**	**100.0%**	**459,915**	**100.0%**

Note:

(1) Interbank forfaiting means that we purchase the outstanding claims under the negotiable-deferred-payment domestic letters of credit without recourse. Our counterparties in such transactions are the negotiating bank designated under the negotiable-deferred-payment domestic letters of credit. Upon receipt of an authentic and valid payment confirmation from the issuing bank, we purchase from our counterparties the outstanding claims, which will be paid to us unconditionally and entirely by the issuing bank at maturity.

Our debt investments increased by 47.9% from RMB30,126 million as of December 31, 2012 to RMB44,546 million as of December 31, 2013, mainly due to the increased holding of trust plans and asset management plans as well as bonds issued by financial institutions. Our debt investments increased by 430.8% from RMB44,546 million as of December 31, 2013 to RMB236,441 million as of December 31, 2014. As of September 30, 2015, our debt investments amounted to RMB459,915 million. The increases in our debt investments were mainly due to our increased investment in trust plans and asset management plans as well as wealth management products sponsored by banks.

Our bond investments include government bonds, bonds issued by financial institutions and bonds issued by corporations. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our bond investments were RMB19,691 million, RMB25,387 million, RMB44,003 million and RMB68,423 million, respectively, accounting for 65.4%, 57.0%, 18.6% and 14.9% of our debt investments, respectively. Such investments maintained a relatively fast growth although their proportion to our debt investments decreased, which was mainly because our investments in asset management plans, trust plans and wealth management products sponsored by banks grew at a faster pace than our bond investments did.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of our wealth management products sponsored by banks was RMB6,452 million, RMB5,414 million, RMB80,329 million and RMB198,061 million, respectively, accounting for 21.4%, 12.2%, 34.0% and 43.1% of our debt investments, respectively. The main reason for the increase in the proportion of that type of investments to our debt investments since 2014 was that we intended to achieve better investment returns through a diversified investment portfolio, and we proactively increased investments in wealth management products sponsored by banks.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of our trust plans and asset management plans sponsored by other financial institutions was RMB3,983 million, RMB13,745 million, RMB76,229 million and RMB188,340 million, respectively, accounting for 13.2%, 30.9%, 32.2% and 41.0% of our debt investments, respectively. The main reason for the increase in such investments as a percentage of our debt investments since 2014 was that (i) we intended to achieve better investment returns through a diversified investment portfolio; and (ii) we strengthened our cooperation with other financial institutions and proactively invested in trust plans and asset management plans.

The following table sets forth our debt investments with fixed interest rates and floating interest rates as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Fixed interest rates	28,819	95.9%	42,959	96.8%	234,423	99.5%	456,183	99.9%
Floating interest rates	1,225	4.1%	1,418	3.2%	1,211	0.5%	671	0.1%
Total	**30,044**	**100.0%**	**44,377**	**100.0%**	**235,634**	**100.0%**	**456,854**	**100.0%**

Equity Investments

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our equity investments amounted to RMB25 million.

Financial Investments by Investment Intention

Our financial investments (excluding financial assets at fair value through profit or loss) are classified into (i) available-for-sale financial assets; (ii) held-to-maturity investments; and (iii) debt instruments classified as receivables, primarily based on our investment intentions. See Note 19 to "Appendix I—Accountant's Report."

The following table sets forth the breakdown of our financial investments by investment intention as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Financial investments								
Available-for-sale financial assets	6,121	20.3%	6,997	15.7%	28,068	11.9%	41,649	9.1%
Held-to-maturity investments	13,594	45.1%	18,015	40.4%	18,693	7.9%	27,437	6.0%
Debt instruments classified as receivables	10,435	34.6%	19,559	43.9%	189,704	80.2%	390,853	85.0%
Total	**30,151**	**100.0%**	**44,571**	**100.0%**	**236,466**	**100.0%**	**459,940**	**100.0%**

Our available-for-sale financial assets include bond investments, interbank certificates of deposits and equity securities. Our available-for-sale financial assets increased by 14.3% from RMB6,121 million as of December 31, 2012 to RMB6,997 million as of December 31, 2013, and further increased by 301.1% to RMB28,068 million as of December 31, 2014. As of September 30, 2015, our available-for-sale financial assets amounted to RMB41,649 million, representing an increase of 48.4% as compared with that as of December 31, 2014. Our held-to-maturity investments include bond investments. Our held-to-maturity investments increased by 32.5% from RMB13,594 million as of December 31, 2012 to RMB18,015 million as of December 31, 2013 and further increased by 3.8% to RMB18,693 million as of December 31, 2014. As of September 30, 2015, our held-to-maturity investments amounted to RMB27,437 million, which increased by 46.8% as compared with that as of December 31, 2014. The increase of our available-for-sale financial assets and held-to-maturity investments was mainly because (i) we increased our holding of available-for-sale financial assets and held-to-maturity investments based on our judgment of the market interest rates, while also taking into consideration our liquidity requirement; (ii) we focused on developing our financial market business; and (iii) we increased our efforts in the trading of bond investments in accordance with the changes in the market interest rates of bonds.

Our debt instruments classified as receivables include bond investments, trust plans and asset management plans, wealth management products sponsored by banks and interbank forfaiting. Our debt instruments classified as receivables increased by 87.4% from RMB10,435 million as of December 31, 2012 to RMB19,559 million as of December 31, 2013, and further increased by 869.9% to RMB189,704 million as of December 31, 2014. As of September 30, 2015, our debt instruments classified as receivables amounted to RMB390,853 million. Our debt instruments classified as receivables increased significantly from December 31, 2012 to September 30, 2015, primarily because, in accordance with market trends and our asset allocation strategy, we optimized our asset allocation and increased our investments with other financial institutions to seek a better return for our investment portfolio. For details of our debt instruments classified as receivables, see "Business—Our Principal Businesses—Treasury Business."

Remaining Maturity of Our Financial Investments

The following table sets forth our financial investments by remaining maturity as of September 30, 2015.

	As of September 30, 2015					
	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Due more than 5 years	Indefinite	Total
	(In millions of RMB)					
Available-for-sale financial assets	1,185	6,052	24,356	10,031	25	41,649
Held-to-maturity investments	4,300	812	14,476	7,849	—	27,437
Debt instruments classified as receivables	76,345	233,157	78,721	2,631	—	390,853
Total	**81,830**	**240,020**	**117,553**	**20,511**	**25**	**459,940**

Carrying Value and Fair Value

Financial investments classified as available-for-sale financial assets are stated at fair value. See Note 2.12 to "Appendix I—Accountant's Report." The following table sets forth the carrying value and the fair value of the held-to-maturity investments for the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	(In millions of RMB)							
Held-to-maturity investments	13,594	13,433	18,015	17,274	18,693	18,848	27,437	27,826

Our debt instruments classified as receivables were stated at amortized costs in our statement of financial position. The fair value of our debt instruments classified as receivables was substantially the same as their amortized costs.

Investment Concentration

The table below sets forth our top ten financial investments as of the date indicated.

	As of September 30, 2015			
	Carrying value	% of financial investments	% of our shareholders' equity	Market / fair value
	(In millions of RMB, except percentages)			
Investment A	3,810	0.8%	8.0%	3,810
Investment B	3,500	0.8%	7.4%	3,506
Investment C	3,000	0.7%	6.3%	3,005
Investment D	3,000	0.7%	6.3%	3,004
Investment E	3,000	0.7%	6.3%	3,006
Investment F	3,000	0.7%	6.3%	3,006
Investment G	3,000	0.7%	6.3%	3,007
Investment H	3,000	0.7%	6.3%	3,007
Investment I	3,000	0.7%	6.3%	3,007
Investment J	3,000	0.7%	6.3%	3,007
Total	**31,310**	**6.8%**	**65.8%**	**31,366**

Debt Securities Issued by Financial Institutions

Debt securities issued by financial institutions, among our other investments in debt securities, primarily include bonds issued by policy banks and commercial banks. As of September 30, 2015, the carrying value of our top ten debt securities issued by financial institutions was RMB19,777 million. All of these debt securities were financial bonds issued by policy banks. The table below sets forth the ten largest debt securities issued by financial institutions as of the date indicated:

	As of September 30, 2015		
	Carrying value	Annual interest rate	Maturity date
	(In millions of RMB, except percentages)		
Investment A	3,774	3.76%	February 5, 2020
Investment B	2,796	3.85%	January 8, 2018
Investment C	2,360	3.72%	October 23, 2015
Investment D	2,143	3.86%	February 5, 2022
Investment E	1,988	4.89%	October 24, 2016
Investment F	1,969	4.97%	October 24, 2018
Investment G	1,280	2.63%	May 29, 2016
Investment H	1,251	2.81%	July 17, 2016
Investment I	1,149	3.49%	May 30, 2017
Investment J	1,067	3.95%	March 26, 2017

Other Components of Our Assets

In addition to loans and advances to customers and financial investments, other components of our assets include (i) cash and balances with central bank; (ii) due from banks and other financial institutions; (iii) financial assets at fair value through profit or loss; (iv) derivative financial assets; and (v) others. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our assets other than loans and advances to customers and financial investments were RMB184,948 million, RMB230,975 million, RMB181,179 million and RMB214,649 million, respectively.

Cash and Balances with Central Bank

Cash and balances with central bank primarily include cash, mandatory deposit reserves and surplus deposit reserves. Mandatory deposit reserves represent the minimum amount of cash we are required to deposit with the PBOC, which is determined as a percentage of total deposits from our customers. Surplus deposit reserves are deposits with the PBOC in excess of mandatory deposit reserves, which are for payment and settlement purposes. Cash and balances with central bank increased by 5.5% from RMB61,018 million as of December 31, 2012 to RMB64,356 million as of December 31, 2013, and increased by 17.2% to RMB75,427 million as of December 31, 2014. As of September 30, 2015, our cash and balances with central bank were RMB84,405 million, representing an increase of 11.9% as compared with that as of December 31, 2014. The increase in cash and balances with central bank was primarily due to the growth in our deposits, which led to an increase in our mandatory deposit reserves.

Due from Banks and Other Financial Institutions

Due from banks and other financial institutions primarily include deposits and placements with banks and other financial institutions, as well as financial assets purchased under resale agreements. Amounts due from banks and other financial institutions increased by 34.7% from RMB117,726 million as of December 31, 2012 to RMB158,521 million as of December 31, 2013, and then decreased by 40.9% to RMB93,686 million as of December 31, 2014. The changes in amounts due from banks and other financial institutions from December 31, 2012 to December 31, 2014 were primarily due to changes in financial assets purchased under resale agreements. The changes in financial assets purchased under resale agreements were primarily due to the optimization of our asset allocation strategy and adjustments in the amount of notes purchased under resale agreements in accordance with the interest rate trend. Amounts due from banks and other financial institutions as of September 30, 2015 were RMB110,811 million, representing an increase of 18.3% as compared with those as of December 31, 2014, primarily due to our strengthened cooperation with other banks and other financial institutions and increased the amount of securities purchased under resale agreements, driven by our need for liquidity management. The table below sets forth the breakdown of due from banks and other financial institutions as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Deposits and placements with banks and other financial institutions	51,841	44.0%	54,902	34.6%	52,413	55.9%	39,475	35.6%
Financial assets purchased under resale agreements	65,885	56.0%	103,618	65.4%	41,273	44.1%	71,337	64.4%
Total	**117,726**	**100.0%**	**158,521**	**100.0%**	**93,686**	**100.0%**	**110,811**	**100.0%**

Others

Other items in our assets increased from RMB4,538 million as of December 31, 2012 to RMB5,871 million as of December 31, 2013, and further increased to RMB7,762 million as of December 31, 2014. As of September 30, 2015, other items in our assets amounted to RMB10,436 million, which was primarily due to an increase in property and equipment and deferred income tax assets.

LIABILITIES AND SOURCES OF FUNDS

Our total liabilities as of December 31, 2012, 2013 and 2014 and September 30, 2015 were RMB371,130 million, RMB460,308 million, RMB636,807 million and RMB956,700 million, respectively. The principal components of our liabilities were (i) customer deposits; and (ii) due to banks and other financial institutions. The following table sets forth the breakdown of our total liabilities as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Customer deposits	266,888	71.9%	319,795	69.5%	363,280	57.0%	500,345	52.3%
Due to banks and other financial institutions	91,744	24.7%	127,342	27.7%	214,998	33.8%	344,740	36.0%
Derivative financial liabilities	6	0.0%	54	0.0%	207	0.0%	381	0.0%
Income tax payable	557	0.2%	603	0.1%	835	0.1%	1,359	0.1%
Debt securities issued	4,450	1.2%	5,950	1.3%	47,898	7.5%	95,448	10.0%
Other(1)	7,485	2.0%	6,564	1.4%	9,589	1.5%	14,427	1.5%
Total	**371,130**	**100.0%**	**460,308**	**100.0%**	**636,807**	**100.0%**	**956,700**	**100.0%**

Note:
(1) Includes financial liabilities at fair value through profit or loss and other liabilities.

Customer Deposits

Customer deposits constitute the largest component of our total liabilities, accounting for 71.9%, 69.5%, 57.0% and 52.3% of our total liabilities as of December 31, 2012, 2013 and 2014 and September 30, 2015, respectively. Our customer deposits increased by 19.8% from RMB266,888 million as of December 31, 2012 to RMB319,795 million as of December 31, 2013, and further increased by 13.6% to RMB363,280 million as of December 31, 2014. As of September 30, 2015, our customer deposits amounted to RMB500,345 million, representing an increase of 37.7% as compared with those as of December 31, 2014, which was primarily due to our increased number of outlets, product innovation and business synergies.

We provide demand and time deposit products to corporate and individual customers. The following table sets forth our customer deposits by product type as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Corporate deposits								
Demand	99,255	37.2%	116,860	36.5%	125,004	34.4%	164,485	32.9%
Time	138,689	52.0%	173,086	54.1%	211,917	58.3%	308,178	61.6%
Sub-total	237,944	89.2%	289,947	90.7%	336,921	92.7%	472,663	94.5%
Individual deposits								
Demand	4,732	1.8%	5,218	1.6%	5,297	1.5%	3,526	0.7%
Time	17,277	6.5%	17,890	5.6%	17,447	4.8%	15,721	3.1%
Sub-total	22,009	8.2%	23,108	7.2%	22,743	6.3%	19,247	3.8%
Other deposits(1)	6,935	2.6%	6,741	2.1%	3,616	1.0%	8,436	1.7%
Total	**266,888**	**100.0%**	**319,795**	**100.0%**	**363,280**	**100.0%**	**500,345**	**100.0%**

Note:

(1) Includes remittance payables and temporary deposits, outward remittance and structured deposits, etc.

Customer deposits by Business Type

Corporate Deposits

Corporate deposits represent the majority of our customer deposits. As of December 31, 2012, 2013 and 2014 and September 30, 2015, our corporate deposits accounted for 89.2%, 90.7%, 92.7% and 94.5%, respectively, of our customer deposits.

Corporate deposits increased by 21.9% from RMB237,944 million as of December 31, 2012 to RMB289,947 million as of December 31, 2013 and increased by 16.2% to RMB336,921 million as of December 31, 2014. As of September 30, 2015, our corporate deposits amounted to RMB472,663 million, representing an increase of 40.3% as compared with those as of December 31, 2014. The increase of corporate deposits was primarily due to (i) an increase in the number of our outlets; (ii) more active promotion of products such as Bills Pool, domestic letters of credit and electronic certificates of deposits, which attracted more settlement deposits; and (iii) the strengthened synergies among our corporate banking, investment banking and financial market businesses to provide comprehensive financial service solutions, which strengthened our cooperation with clients and increased corporate deposits.

Individual Deposits

Individual deposits increased by 5.0% from RMB22,009 million as of December 31, 2012 to RMB23,108 million as of December 31, 2013, and then decreased by 1.6% to RMB22,743 million as of December 31, 2014. As of September 30, 2015, our individual deposits amounted to RMB19,247 million. The decrease of our individual deposits was mainly due to diversion of certain individual deposits to other investment products, including wealth management products.

Customer deposits by Product Type

As of December 31, 2012, 2013 and 2014 and September 30, 2015, time deposits accounted for 58.4%, 59.7%, 63.1% and 64.7%, respectively, while demand deposits accounted for 39.0%, 38.2%, 35.9% and 33.6%, respectively, of our total customer deposits. From December 31, 2012 to September 30, 2015, the percentage of time deposits to our total customer deposits increased, mainly because clients prefer time deposits which have relatively high interest rates. As a result, the stability of our deposit portfolio has strengthened.

Customer Deposits by Geographical Region

We classify the geographic distribution of deposits based on the geographical area of the branches that take the deposits. The following table sets forth the geographic distribution of our customer deposits as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Eastern China	145,667	54.6%	170,353	53.3%	187,949	51.7%	257,867	51.5%
Northern China	64,409	24.1%	75,104	23.5%	87,083	24.0%	119,929	24.0%
Western China	45,003	16.9%	59,566	18.6%	70,295	19.3%	92,047	18.4%
Southern China	11,809	4.4%	14,772	4.6%	17,954	4.9%	30,502	6.1%
Total	**266,888**	**100.0%**	**319,795**	**100.0%**	**363,280**	**100.0%**	**500,345**	**100.0%**

Maturity Profile of Customer Deposits

A majority of our customer deposits as of September 30, 2015 were on-demand deposits and deposits that mature in 12 months or less. The following table sets forth the distribution of our customer deposits by maturity as of the date indicated:

	As of September 30, 2015					
	On Demand	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	(In millions of RMB)					
Corporate deposits	178,500	57,782	124,816	109,068	2,497	472,663
Individual deposits	3,883	3,614	10,021	1,729	—	19,247
Other deposits	4,992	1,359	1,005	1,081	—	8,436
Total	**187,374**	**62,755**	**135,841**	**111,878**	**2,497**	**500,345**

Customer Deposits by Currency

Substantially all of our customer deposits are denominated in Renminbi. The following table sets forth the distribution of our customer deposits by currency as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Renminbi denominated deposits	263,024	98.6%	310,358	97.0%	356,486	98.1%	485,500	97.0%
HKD-denominated deposits	146	0.1%	218	0.1%	116	0.0%	4	0.0%
USD-denominated deposits	3,100	1.2%	8,932	2.8%	6,613	1.8%	14,468	2.9%
Euro-denominated deposits	571	0.2%	235	0.1%	56	0.0%	364	0.1%
Other foreign currency-denominated deposits	47	0.0%	51	0.0%	8	0.0%	9	0.0%
Total	**266,888**	**100.0%**	**319,795**	**100.0%**	**363,280**	**100.0%**	**500,345**	**100.0%**

Corporate Deposits by Size

The following table sets forth the distribution of our corporate deposits by total balance of deposits from a single customer as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Below RMB10 million	57,870	24.3%	55,908	19.3%	61,003	18.1%	55,611	11.8%
RMB10 million (inclusive) to RMB100 million (inclusive)	95,860	40.3%	114,056	39.3%	131,354	39.0%	171,147	36.2%
Over RMB100 million	84,214	35.4%	119,982	41.4%	144,563	42.9%	245,905	52.0%
Total	**237,944**	**100.0%**	**289,947**	**100.0%**	**336,921**	**100.0%**	**472,663**	**100.0%**

OTHER MAJOR COMPONENTS OF OUR LIABILITIES

In addition to customer deposits, other major components of our liabilities include amounts due to banks and other financial institutions and debt securities issued.

Due to Banks and Other Financial Institutions

Amounts due to banks and other financial institutions mainly include deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements. Amounts due to banks and other financial institutions increased by 38.8% from RMB91,744 million as of December 31, 2012 to RMB127,342 million as of December 31, 2013, and increased by 68.8% to RMB214,998 million as of December 31, 2014. As of September 30, 2015, our amounts due to banks and other financial institutions were RMB344,740 million, representing an increase of 60.3% as compared with those as of December 31, 2014. The increase was primarily due to our strengthened cooperation with other financial institutions, which led to an increase in the credit amount other banks extended to us and the deposits from other banks and other financial institutions to meet the funding demand of our rapidly developed business. The following table sets forth the breakdown of our due to banks and other financial institutions as of the dates indicated:

	As of December 31,						As of September 30,	
	2012		2013		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Deposits and placements from banks and other financial institutions	72,607	79.1%	113,443	89.1%	191,536	89.1%	315,316	91.5%
Financial assets sold under repurchase agreements	19,137	20.9%	13,899	10.9%	23,463	10.9%	29,423	8.5%
Total	**91,744**	**100.0%**	**127,342**	**100.0%**	**214,998**	**100.0%**	**344,740**	**100.0%**

Debt Securities Issued

Our balances of debt securities issued increased by 33.7% from RMB4,450 million as of December 31, 2012 to RMB5,950 million as of December 31, 2013, primarily because we issued financial bonds backed by small and micro enterprises loans with an amount of RMB1.5 billion in 2013. Our balances of debt securities issued increased from RMB5,950 million as of December 31, 2013 to RMB47,898 million as of December 31, 2014. The increase in our debt securities issued was primarily because (i) we issued financial bonds backed by small and micro enterprises loans with an amount of RMB4.5 billion in 2014; (ii) we obtained qualification for issuing interbank certificates of deposits and issued interbank certificates of deposits with a face value of RMB50.5 billion in 2014 (the outstanding interbank certificates of deposits had a face value of RMB39.5 billion as of December 31, 2014), which was partially offset by the redemption of fixed rate subordinated bonds with a face value of RMB1.2 billion we issued in 2009. Our balances of debt securities issued increased from RMB47,898 million as of December 31, 2014 to RMB95,448 million as of September 30, 2015, primarily due to the increase in the issue volume of our interbank certificates of deposits.

You should read the discussion and analysis set forth in this section in conjunction with "Appendix I—Accountant's Report" to this prospectus, which has been prepared in accordance with IFRS, together with the accompanying notes. Capital adequacy ratios discussed in this section are calculated in accordance with applicable CBRC guidelines and based on PRC GAAP financial information. The capital adequacy indicators discussed in this section are not part of the Accountant's Report and have not been audited. You should also read the following discussion and analysis in conjunction with the unaudited preliminary financial information of our Bank for the year ended December 31, 2015 and the accompanying notes in Appendix IV, as well as "Appendix IV—Unaudited Preliminary Financial Information of the Bank for the Year ended December 31, 2015—Management's Discussion and Analysis of Financial Condition and Operation Results."

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements due to a number of factors, including those set forth in "Forward-Looking Statements" and "Risk Factors."

OVERVIEW

We are the only nationwide joint-stock commercial bank headquartered in Zhejiang. By adopting a "full-asset class operation" strategy, we have achieved rapid growth, efficient operations and solid asset quality. As of September 30, 2015, our total assets amounted to RMB1,004,315 million, exceeding one trillion Renminbi; our total loans and advances amounted to RMB339,138 million; and our total customer deposits amounted to RMB500,345 million. From 2012 to 2014, our operating income grew at a CAGR of 28.9% from RMB10,466 million to RMB17,397 million and our net profit grew at a CAGR of 12.5% from RMB4,026 million to RMB5,096 million. For the nine months ended September 30, 2015, our operating income was RMB17,541 million and our net profit was RMB5,637 million. We ranked 145th in terms of total assets among the "Top 1000 World Banks" in 2015 as published by *The Banker,* a UK magazine. In 2015, CCXI granted us AAA corporate credit rating, the highest rating that CCXI has ever granted to a financial institution in the PRC for financial institutions.

GENERAL FACTORS THAT AFFECT OUR RESULTS OF OPERATIONS

Economic Conditions of the PRC and Zhejiang

We are headquartered in Hangzhou, Zhejiang, the PRC. Our financial condition and results of operations are affected by the economic conditions of the PRC and the economic measures taken by the PRC government, in particular factors relating to the economic development in Zhejiang. The PRC has experienced rapid growth over the past three decades. According to data released by the NBS, from 2010 to 2014, the PRC's nominal GDP increased at a CAGR of 11.7% and fixed asset investments in the PRC increased at a CAGR of 19.5%. Zhejiang is a major pillar in the Yangtze River Delta Area and has maintained rapid economic growth. From 2010 to 2014, the nominal GDP in Zhejiang ranked 4th for five consecutive years in the PRC with a CAGR of 9.7%.

The PRC's economic growth has promoted the rapid business growth of PRC commercial banks. According to data released by the PBOC, the CAGR of Renminbi-denominated loans and deposit balance in the PRC from 2010 to 2014 reached 14.3% and 12.2%, respectively. In recent years, the PRC's economy has gradually shifted from a rapid growth stage to a "new normal" stage with moderately high economic growth. The slowdown of the growth rate in the overall PRC economy and certain industries may adversely affect the business, results of operations and financial condition of commercial banks in the PRC.

The CAGRs of Renminbi-denominated loan and deposit balance in Zhejiang from 2010 to 2014 reached 10.9% and 9.6%, respectively. During the Track Record Period, Zhejiang was an important source of our operating income. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30 2015, our operating income generated from Zhejiang accounted for 41.2%, 36.1%, 38.9% and 48.8%, respectively, of our total operating income.

In recent years, the PRC government has implemented a series of macroeconomic and monetary policies, including (i) comprehensively deepening reform to promote economic transition and upgrade to the "new normal" stage; (ii) promoting reform of interest rate liberalization and establishment of deposit insurance system, adjusting the benchmark interest rates on deposits and loans and the mandatory reserve requirement ratios applicable to commercial banks, and deregulating the interest rates on loans and deposits; (iii) reforming the regulatory policies on loan-to-deposit ratio and imposing lending limits; (iv) regulating the development of wealth management and inter-bank market business to reduce the risk of mismatch; and (v) promoting the growth of certain industries or controlling overheating and overcapacity in certain other industries by issuing industry development guidelines. Many of these policies have had a significant impact on the demand for lending activities and bank financing, which in turn has significantly affected our business, financial condition and results of operations.

Regulatory Environment

The PRC commercial banking industry is highly regulated. Our business, financial condition and results of operations could be materially affected by changes in the relevant PRC banking laws, rules, regulations and policies such as the scope of business activities PRC commercial banks are permitted to engage in, interests and fees PRC commercial banks are allowed to charge and restrictions imposed by regulatory bodies on PRC commercial banks in respect of loans to borrowers in specific industries or specific loan products. PRC commercial banks are mainly regulated by the PBOC and the CBRC and are also subject to supervision and regulation by other regulatory bodies such as the MOF, the SAFE, the CSRC and the CIRC. See "Supervision and Regulation."

Our results of operations are also subject to changes in tax laws and regulations since these changes can affect our deferred tax assets and liabilities and our income tax expenses. In addition, the CBRC, the CSRC and the CIRC also require special licenses for certain banking services. The CBRC and the CSRC may impose license requirements in the future on existing or new financial services, which may affect our business and results of operations.

Interest Rates

Our results of operations largely depend on our net interest income. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our net interest income accounted for 90.7%, 82.4%, 83.6% and 85.6% of our total operating income, respectively. Net interest income is affected by interest rates and the average balance of our interest-earning assets and interest-bearing liabilities. Interest rates applicable to us are sensitive to many factors that are beyond our control, such as regulations in the banking and financial sectors in the PRC, domestic and international economic and political conditions as well as market competition.

In the PRC, interest rates on Renminbi-denominated loans and deposits are set by commercial banks within a permitted range with reference to the benchmark interest rates on loans and deposits published and modified from time to time by the PBOC. With ongoing reform and interest rate liberalization, commercial banks in the PRC enjoy increased autonomy in product pricing. Starting from October 24, 2015, the PBOC removed the upper limit on the floating range of RMB-denominated deposit interest rates for commercial banks, which represents a key step towards the liberalization of interest rates. In addition, the PBOC lowered the benchmark interest rates on Renminbi-denominated deposits and loans several times in recent years, as a result of which the benchmark interest rates of Renminbi-denominated deposits and loans with a term of one year were lowered to 1.50% and 4.35%, respectively. See "Supervision and Regulation—Pricing for Products and Services—Interest Rates for Loans and Deposits." Changes in the PBOC benchmark interest rates may materially affect the average yield on outstanding loans and the average cost of customer deposits of PRC commercial banks, which in turn may have a material impact on our net interest spread and net interest margin. See "—Quantitative and Qualitative Analysis of Market Risk—Interest Rate Risk—Re-pricing Gap Analysis."

Development of the Capital Market and Internet Financial Services Platform in the PRC

In recent years, the PRC government has taken initiatives to establish a multi-level capital market and encourage direct financing of enterprises through the capital market, which may have an impact on the core business of commercial banks in the PRC. The deepening of the debt capital market in the PRC may affect our loan business as some corporate borrowers may issue bonds at lower financing costs to meet their financing needs, which will in turn lower the demand for bank loans. On the other hand, the capital market development in the PRC may bring new opportunities for us to expand our fee- and commission-based businesses (such as investment banking and fund distribution businesses) and expand the types of investment securities products.

Meanwhile, traditional banking industry in the PRC is also facing new challenges posed by financial products and technology innovations such as online banking products, online third party payment platforms and internet financial services platforms. These innovations in products and technologies may affect the business, results of operations and financial condition of PRC banks.

Competitive Landscape in the Banking Industry

We face competition from other commercial banks and policy banks in the markets where we have operations. In the banking industry in Zhejiang, we mainly compete with branches of major state-owned commercial banks, branches of nationwide joint-stock commercial banks in Zhejiang and city commercial banks and rural financial institutions in Zhejiang. We also face competition from policy banks, foreign banks and other non-bank financial institutions. In recent years, a large number of commercial banks in the PRC have completed restructuring or public offerings, which have allowed them to offer more innovative products and higher quality services, and have provided them with greater adaptability in a changing market environment. The increase in competition and the resulting changes in the PRC banking industry may affect the pricing of our loans and deposits and the pricing of and income from our intermediary business. See "Industry Overview" and "Business—Competition."

SELECTED FINANCIAL DATA

The following table sets forth our statements of comprehensive income for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(In millions of RMB)		
Interest income	18,489	23,013	32,198	23,235	34,352
Interest expense	(8,997)	(11,898)	(17,663)	(12,718)	(19,345)
Net interest income	**9,492**	**11,115**	**14,535**	**10,517**	**15,008**
Fee and commission income	969	2,366	2,691	1,929	2,411
Fee and commission expense	(92)	(47)	(70)	(54)	(88)
Net fee and commission income	**878**	**2,319**	**2,621**	**1,875**	**2,323**
Net trading gains/(losses)	51	5	86	61	(171)
Net gains/(losses) on financial investments	7	(3)	42	22	315
Other operating income	39	59	112	21	66
Operating income	**10,466**	**13,496**	**17,397**	**12,495**	**17,541**
Operating expenses	(4,045)	(5,271)	(6,028)	(4,390)	(5,296)
Impairment losses on assets	(1,063)	(1,703)	(4,576)	(2,178)	(4,740)
Operating profit	**5,359**	**6,521**	**6,792**	**5,927**	**7,505**
Profit before income tax	5,359	6,521	6,792	5,927	7,505
Income tax expense	(1,333)	(1,620)	(1,697)	(1,482)	(1,868)
Net profit attributable to shareholders of the Bank	**4,026**	**4,901**	**5,096**	**4,445**	**5,637**

The following table sets forth our statements of financial position as of the dates indicated:

	As of December 31,			As of September 30,
	2012	2013	2014	2015
	(In millions of RMB)			
Assets				
Cash and balances with central bank	61,018	64,356	75,427	84,405
Due from banks and other financial institutions	117,726	158,521	93,686	110,811
Financial assets at fair value through profit or loss	1,659	2,177	4,191	8,699
Derivative financial assets	8	51	113	298
Loans and advances to customers	178,740	212,571	252,312	329,726
Financial investments				
Available-for-sale	6,121	6,997	28,068	41,649
Held-to-maturity	13,594	18,015	18,693	27,437
Debt instruments classified as receivables	10,435	19,559	189,704	390,853
Property, plant and equipment	1,253	1,397	1,825	1,899
Deferred income tax assets	479	723	1,251	1,765
Other assets	2,806	3,752	4,686	6,772
Total assets	**393,839**	**488,117**	**669,957**	**1,004,315**
Liabilities				
Due to banks and other financial institutions	91,744	127,342	214,998	344,740
Financial liabilities at fair value through profit or loss	—	—	—	500
Derivative financial liabilities	6	54	207	381
Customer deposits	266,888	319,795	363,280	500,345
Income tax payable	557	603	835	1,359
Debt securities issued	4,450	5,950	47,898	95,448
Other liabilities	7,485	6,564	9,589	13,927
Total liabilities	**371,130**	**460,308**	**636,807**	**956,700**
Shareholders' equity				
Share capital	10,007	11,507	11,507	14,510
Capital reserve	4,946	6,536	6,536	12,181
Surplus reserve	1,070	1,560	2,070	2,070
Statutory general reserve	2,031	3,845	4,639	8,241
Investment revaluation reserve	(4)	(96)	150	330
Retained earnings	4,659	4,456	8,248	10,283
Total equity	**22,709**	**27,808**	**33,150**	**47,615**
Total liabilities and equity	**393,839**	**488,117**	**669,957**	**1,004,315**

The following table sets forth selected financial ratios for the periods indicated:

	For the year ended December 31,			For the nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Profitability indicators					
Return on average total assets(1)(7)	1.16%	1.11%	0.88%	1.11%	0.90%
Return on average equity(2)(7)	18.55%	19.40%	16.72%	19.73%	18.66%
Net interest spread(3)(7)	2.68%	2.41%	2.38%	2.38%	2.21%
Net interest margin(4)(7)	2.91%	2.63%	2.62%	2.63%	2.41%
Net fee and commission income to operating income(5)	8.38%	17.18%	15.07%	15.01%	13.24%
Cost-to-income ratio(6)	31.01%	32.08%	28.32%	28.64%	24.82%

Notes:

(1) Calculated by dividing the net profit attributable to shareholders of the Bank for the period by the average balance of total assets at the beginning and at the end of the period.

(2) Calculated by dividing the net profit attributable to shareholders of the Bank for the period by the average balance of shareholders' equity at the beginning and at the end of the period.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
(4) Calculated by dividing net interest income by average balance of total interest-earning assets.
(5) Calculated by dividing net fee and commission income by operating income.
(6) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.
(7) Calculated on an annualized basis.

	As of December 31,			As of September 30,
	2012	2013	2014	2015
Capital adequacy indicators				
Calculated based on Capital Administrative Measures				
Core tier-one capital adequacy ratio(2)	N/A(1)	9.17%	8.62%	9.46%
Tier-one capital adequacy ratio(3)	N/A(1)	9.17%	8.62%	9.46%
Capital adequacy ratio(4)	N/A(1)	11.53%	10.60%	11.11%
Total shareholders' equity to total assets	5.77%	5.70%	4.95%	4.74%
Asset quality indicators				
Non-performing loan ratio(5)	0.46%	0.64%	0.88%	1.22%
Allowance to non-performing loans(6)	421.90%	329.28%	292.96%	227.61%
Allowance to total loans(7)	1.96%	2.10%	2.59%	2.78%

Notes:
(1) Indicators of capital adequacy ratio were calculated based on the Capital Adequacy Measures before January 1, 2013. As of December 31, 2012, our capital adequacy ratio was 12.51% and our core capital adequacy ratio was 9.84% calculated based on the Capital Adequacy Measures. The Capital Adequacy Measures had been replaced by Capital Administrative Measures from January 1, 2013 onwards and are no longer applicable.
(2) Core tier-one capital adequacy ratio = (core tier-one capital - core tier-one capital deductions)/risk-weighted assets.
(3) Tier-one capital adequacy ratio = (tier-one capital - tier-one capital deductions)/risk-weighted assets.
(4) Capital adequacy ratio = (total capital - capital deductions)/risk-weighted assets.
(5) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.
(6) Allowance to non-performing loans = the allowance for impairment losses on loans and advances to customers /total non-performing loans.
(7) Allowance to total loans = the allowance for impairment losses on loans and advances to customers /total loans and advances to customers.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our non-performing loan ratio was 0.46%, 0.64%, 0.88% and 1.22%, respectively. Our non-performing loan ratio increased mainly due to the deterioration of the repayment ability of certain clients as a result of the slowdown of the PRC economic growth. The increase in our non-performing loans is mainly attributable to the manufacturing and the wholesale and retail industries, which have been significantly impacted by the structural adjustments of the PRC economy. During the Track Record Period, our non-performing loan ratio remained at a relatively low level.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our allowance to non-performing loans ratio was 421.90%, 329.28%, 292.96% and 227.61%, respectively. Although our allowance to non-performing loans ratio decreased to some extent during the Track Record Period, it remained at a relatively high level.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, our allowance to total loans ratio was 1.96%, 2.10%, 2.59% and 2.78%, respectively. Our allowance to total loans ratio increased because in light of the slowdown of the PRC economic growth, we gradually increased the collectively-assessed allowance ratio to enhance our ability to resist risks in accordance with the principle of prudence.

For details regarding capital adequacy indicators, see "—Capital Resources—Capital Adequacy."

For the changes in our net interest spread and net interest margin, see "—Result of Operations—Net Interest Spread and Net Interest Margin."

RESULT OF OPERATIONS

Nine months ended September 30, 2014 compared to Nine Months ended September 30, 2015

Net Interest Income

Net interest income constitutes the largest component of our operating income, accounting for 84.2% and 85.6% of our operating income for the nine months ended September 30, 2014 and 2015, respectively. The following table sets forth our interest income, interest expense and net interest income for the periods indicated:

	For the nine months ended September 30,	
	2014	2015
	(unaudited) (In millions of RMB)	
Interest income	23,235	34,352
Interest expense	(12,718)	(19,345)
Net interest income	**10,517**	**15,008**

Our net interest income increased by 42.7% from RMB10,517 million for the nine months ended September 30, 2014 to RMB15,008 million for the nine months ended September 30, 2015, primarily reflecting a rapid increase in the average balances of our interest-earning assets, such as loans and advances to customers and financial investments, under our "full-asset class operation" strategy.

The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on interest-earning assets or related average costs of interest-bearing liabilities for the periods indicated.

	For the nine months ended September 30,					
	2014			2015		
	Average balance	Interest income/expense	Average yield/cost	Average balance	Interest income/expense	Average yield/cost
	(unaudited) (In millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	234,640	12,098	6.89%	302,572	13,870	6.13%
Financial investments	93,920	4,163	5.93%	354,579	15,877	5.99%
Due from banks and other financial institutions	139,800	6,114	5.85%	93,372	3,493	5.00%
Balances with central bank(1)	63,059	726	1.54%	76,673	886	1.54%
Financial assets at fair value through profit or loss	2,778	133	6.42%	6,221	226	4.87%
Total interest-earning assets	**534,196**	**23,235**	**5.82%**	**833,416**	**34,352**	**5.51%**
Interest-bearing liabilities						
Customer deposits	321,786	5,964	2.48%	427,372	8,147	2.55%
Due to banks and other financial institutions	160,873	6,217	5.17%	290,140	8,902	4.10%
Debt securities issued	12,938	537	5.55%	65,541	2,295	4.68%
Total interest-bearing liabilities	**495,597**	**12,718**	**3.43%**	**783,054**	**19,345**	**3.30%**
Net interest income		10,517			15,008	
Net interest spread(2)(4)			2.38%			2.21%
Net interest margin(3)(4)			2.63%			2.41%

Notes:
(1) Mainly include mandatory deposit reserves and surplus deposit reserves.
(2) Calculated by the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
(3) Calculated by dividing net interest income by average balance of total interest-earning assets.
(4) Calculated on an annualized basis.

For the changes in our net interest spread and net interest margin, see "—Result of Operations—Net Interest Spread and Net Interest Margin".

The following table sets forth the changes in our interest income and interest expense due to changes in volume and interest rate for the periods indicated. Changes caused by volume have been measured based on movements in average balances of interest-earning assets and interest-bearing liabilities over these periods. Changes caused by interest rates have been measured based on changes in average interest rates of interest-earning assets and interest-bearing liabilities. Changes caused by both volume and interest rate have been allocated to changes in interest rate.

	For the nine months ended September 30, 2015 vs. 2014		
	Increase/(decrease) due to		Net increase/ (decrease)[3]
	Volume[1]	Rate[2]	
	(unaudited) (In millions of RMB)		
Interest-earning assets			
Loans and advances to customers	3,503	(1,731)	1,772
Financial investments	11,553	161	11,714
Due from banks and other financial institutions	(2,083)	(538)	(2,621)
Balances with central bank	157	3	159
Financial assets at fair value through profit or loss	165	(72)	93
Changes in interest income	**13,295**	**(2,178)**	**11,117**
Interest-bearing liabilities			
Customer deposits	1,957	226	2,183
Due to banks and other financial institutions	4,949	(2,264)	2,685
Debt securities issued	2,184	(426)	1,758
Changes in interest expense	**9,090**	**(2,464)**	**6,626**
Changes in net interest income	**4,205**	**286**	**4,491**

Notes:
(1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield or average cost for the previous period.
(2) Represents the average yield or average cost for the period minus the average yield or average cost for the previous period, multiplied by the average balance for the period.
(3) Represents interest income or expense for the period minus interest income or expense for the previous period.

Interest Income

The following table sets forth the breakdown of our interest income for the periods indicated:

	For the nine months ended September 30,			
	2014		2015	
	Amount	% of total	Amount	% of total
	(unaudited)			
	(In millions of RMB, except percentages)			
Loans and advances to customers	12,098	52.1%	13,870	40.4%
Due from banks and other financial institutions	6,114	26.3%	3,493	10.2%
Financial investments	4,163	17.9%	15,877	46.2%
Balances with central bank	726	3.1%	886	2.6%
Financial assets at fair value through profit or loss	133	0.6%	226	0.7%
Total	**23,235**	**100.0%**	**34,352**	**100.0%**

Our interest income increased by 47.8% from RMB23,235 million for the nine months ended September 30, 2014 to RMB34,352 million for the nine months ended September 30, 2015, primarily due to an increase in the average balance of interest-earning assets, part of which was offset by a decrease in the average yield on interest-earning assets.

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers is a major component of our interest income, accounting for 52.1% and 40.4% of our interest income for the nine months ended September 30, 2014 and 2015, respectively. Interest income from loans and advances to customers consists of interest income from corporate and personal loans and advances.

The largest component of our interest income from loans and advances to customers is interest income from corporate loans and advances, which accounted for 78.0% and 79.1% of our total interest income from loans and advances to customers for the nine months ended September 30, 2014 and 2015, respectively. The following table sets forth the average balance, interest income and average yield on our loans and advances to customers:

	For the nine months ended September 30,					
	2014			2015		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(unaudited)					
	(In millions of RMB, except percentages)					
Corporate loans and advances[1]	188,119	9,441	6.71%	247,188	10,974	5.94%
Personal loans and advances	46,521	2,657	7.64%	55,384	2,896	6.99%
Total	**234,640**	**12,098**	**6.89%**	**302,572**	**13,870**	**6.13%**

Note:
(1) Include discounted bills.

Interest income from loans to customers increased by 14.6% from RMB12,098 million for the nine months ended September 30, 2014 to RMB13,870 million for the nine months ended September 30, 2015, mainly due to an increase in the average balance of loans and advances to customers, which was partially offset by a decrease in the average yield on loans. The average yield on loans decreased mainly because the PBOC made several reductions of the benchmark interest rates on loans in the second half of 2014 and the first nine months of 2015.

Interest income from corporate loans and advances increased by 16.2% from RMB9,441 million for the nine months ended September 30, 2014 to RMB10,974 million for the nine months ended September 30, 2015, mainly due to an increase in the average balance of corporate loans and advances, which was partially offset by a decrease in the average yield on corporate loans and advances. The increase in the average balance of corporate loans and advances is mainly due to (i) the increase in the market demand for corporate loans driven by economic growth; (ii) the expansion of our geographical coverage through the increase in the number of our branches and sub-branches; (iii) our proactive development of the corporate loans and advances business as we capitalized on market opportunities. The decrease in the average yield on corporate loans and advances is mainly due to the continued reductions in the benchmark interest rates on loans by the PBOC.

Interest income from personal loans and advances increased by 9.0% from RMB2,657 million for the nine months ended September 30, 2014 to RMB2,896 million for the nine months ended September 30, 2015, mainly due to an increase in the average balance of personal loans and advances, which was partially offset by a decrease in the average yield on personal loans and advances. The increase in the average balance of personal loans and advances is mainly due to the expansion of our personal business loans. The average yield on personal loans and advances decreased mainly because the PBOC lowered the benchmark interest rates on loans.

Interest Income from Due from Banks and Other Financial Institutions

For the nine months ended September 30, 2014 and 2015, interest income from due from banks and other financial institutions accounted for 26.3% and 10.2%, respectively, of our interest income. The following table sets forth the average balance, interest income and average yield on the amounts due from banks and other financial institutions.

	For the nine months ended September 30,					
	2014			2015		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(unaudited)					
	(In millions of RMB, except percentages)					
Deposits and placements with banks and other financial institutions	63,111	2,580	5.47%	52,227	2,226	5.70%
Financial assets held under resale agreements	76,689	3,534	6.16%	41,145	1,267	4.12%
Total	**139,800**	**6,114**	**5.85%**	**93,372**	**3,493**	**5.00%**

Interest Income from Deposits and Placements with Banks and Other Financial Institutions

For the nine months ended September 30, 2014 and 2015, interest income from deposits and placements with banks and other financial institutions accounted for 11.1% and 6.5%, respectively, of our interest income. Interest income from deposits and placements with banks and other financial institutions decreased by 13.7% from RMB2,580 million for the nine months ended September 30, 2014 to RMB2,226 million for the nine months ended September 30, 2015, mainly due to a decrease in the average balance of deposits and placements with banks and other financial institutions, which resulted in a decrease in the corresponding interest income.

Interest Income from Financial Assets Held under Resale Agreements

For the nine months ended September 30, 2014 and 2015, the interest income from financial assets held under resale agreements accounted for 15.2% and 3.7%, respectively, of our interest income.

Interest income from financial assets held under resale agreements decreased by 64.2% from RMB3,534 million for the nine months ended September 30, 2014 to RMB1,267 million for the same period in 2015, mainly because (i) the average balance of notes purchased under resale agreements decreased; and (ii) the PBOC lowered the mandatory reserve requirement ratios and the benchmark interest rates on loans and deposits during the first nine months ended September 30, 2015, which led to a decrease in market interest rates.

Interest Income from Financial Investments

	For the nine months ended September 30,					
	2014			2015		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
		(unaudited) (In millions of RMB, except percentages)				
Available-for-sale financial assets	10,082	353	4.69%	38,758	1,199	4.14%
Held-to-maturity investments	17,842	570	4.27%	21,560	681	4.22%
Debt instruments classified as receivables	65,996	3,240	6.56%	294,260	13,997	6.36%
Total	**93,920**	**4,163**	**5.93%**	**354,579**	**15,877**	**5.99%**

For the nine months ended September 30, 2014 and 2015, interest income from financial investments accounted for 17.9% and 46.2%, respectively, of our interest income.

Interest income from financial investments mainly includes interest income from available-for-sale financial assets, held-to-maturity investments and debt instruments classified as receivables held by us. Interest income from financial investments increased by 281.4% from RMB4,163 million for the nine months ended September 30, 2014 to RMB15,877 million for the same period in 2015, primarily because we capitalized on the market interest rate trend, optimized our asset structure in accordance with our need for asset management and increased our investments with other financial institutions, particularly asset management plans, trust plans and wealth management products sponsored by banks. See "Description of Our Assets and Liabilities—Assets—Financial Investments."

Interest Income from Balances with Central Bank

Our balances with central bank primarily include mandatory deposit reserves and surplus deposit reserves with the PBOC. Mandatory deposit reserves, which we are required to maintain at the PBOC, represent the minimum level of deposits, calculated as a percentage of the balance of our customer deposits. Surplus deposit reserves are deposits with the PBOC in excess of mandatory deposit reserves which we maintain for settlement purposes. For the nine months ended September 30, 2014 and 2015, interest income from balances with central bank accounted for 3.1% and 2.6%, respectively, of our interest income.

Interest income from balances with central bank increased by 22.0% from RMB726 million for the nine months ended September 30, 2014 to RMB886 million for the nine months ended September 30, 2015, primarily due to an increase in our deposits, which led to an increase in our average balances with central bank.

Interest Income from Financial Assets at Fair Value Through Profit or Loss

For the nine months ended September 30, 2014 and 2015, interest income from financial assets at fair value through profit or loss accounted for 0.6% and 0.7%, respectively, of our total interest income.

Interest income from financial assets at fair value through profit or loss increased by 69.7% from RMB133 million for the nine months ended September 30, 2014 to RMB226 million for the nine months ended September 30, 2015, mainly due to a rapid increase in the bonds we held at fair value through profit or loss.

Interest Expense

The following table sets forth the principal components of our interest expense for the periods indicated:

	For the nine months ended September 30,			
	2014		2015	
	Amount	% of total	Amount	% of total
	(unaudited) (In millions of RMB, except percentages)			
Customer deposits	5,964	46.9%	8,147	42.1%
Due to banks and other financial institutions	6,217	48.9%	8,902	46.0%
Debt securities issued	537	4.2%	2,295	11.9%
Total	**12,718**	**100.0%**	**19,345**	**100.0%**

Interest expense increased by 52.1% from RMB12,718 million for the nine months ended September 30, 2014 to RMB19,345 million for the same period in 2015, primarily due to an increase in the average balance of interest-bearing liabilities, partially offset by a decrease in the average cost of interest-bearing liabilities.

Interest Expense on Customer Deposits

Interest expense on customer deposits accounted for 46.9% and 42.1% of our interest expense for the nine months ended September 30, 2014 and 2015, respectively. The following table sets forth the average balance, interest expense and average cost of deposits by product type for the periods indicated:

	For the nine months ended September 30,					
	2014			2015		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(unaudited) (In millions of RMB, except percentages)					
Corporate deposits and other deposits[(1)]						
Time	200,350	5,017	3.35%	283,216	7,083	3.34%
Demand	99,861	515	0.69%	123,713	652	0.70%
Subtotal	300,211	5,532	2.46%	406,929	7,734	2.54%
Individual deposits[(1)]						
Time	17,648	420	3.18%	16,711	402	3.21%
Demand	3,927	11	0.39%	3,733	11	0.40%
Subtotal	21,575	432	2.68%	20,443	413	2.70%
Total	**321,786**	**5,964**	**2.48%**	**427,372**	**8,147**	**2.55%**

Note:
(1) Include pledged deposits held as collateral.

Interest expense on customer deposits increased by 36.6% from RMB5,964 million for the nine months ended September 30, 2014 to RMB8,147 million for the nine months ended September 30, 2015, primarily due to the continued growth in our deposit business. In addition, due to a higher proportion of time deposits, the average cost of our deposits increased from 2.48% for the nine months ended September 30, 2014 to 2.55% for the nine months ended September 30, 2015. Interest expense on corporate deposits and other deposits increased by 39.8% from RMB5,532 million for the nine months ended September 30, 2014 to RMB7,734 million for the nine months ended September 30, 2015, primarily due to our increased average balance of corporate deposits and other deposits, and increased average cost of corporate deposits and other deposits, resulting from intensified market competition amid the liberalization of interest rates. For the nine months ended September 30, 2014 and 2015, interest expenses on individual deposits were RMB432 million and RMB413 million, respectively, which remained relatively stable.

Interest Expense on Due to Banks and Other Financial Institutions

For the nine months ended September 30, 2014 and 2015, our interest expense on due to banks and other financial institutions accounted for 48.9% and 46.0%, respectively, of our total interest expense. The following table sets forth the average balance, interest expense and average cost of amounts due to banks and other financial institutions:

	For the nine months ended September 30,					
	2014			2015		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(unaudited)					
	(In millions of RMB, except percentages)					
Deposits and placements from banks and other financial institutions	150,107	5,937	5.29%	267,310	8,408	4.21%
Financial assets sold under repurchase agreements	10,766	280	3.47%	22,831	494	2.90%
Total	**160,873**	**6,217**	**5.17%**	**290,140**	**8,902**	**4.10%**

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

For the nine months ended September 30, 2014 and 2015, interest expense on deposits and placements from banks and other financial institutions accounted for 46.7% and 43.5% of our total interest expense, respectively. Interest expense on deposits and placements from banks and other financial institutions increased by 41.6% from RMB5,937 million for the nine months ended September 30, 2014 to RMB8,408 million for the nine months ended September 30, 2015, mainly due to an increase in the average balance of our deposits and placements from banks and other financial institutions, partially offset by a decreased funding cost resulting from increased market liquidity in the first nine months of 2015.

Interest Expense on Financial Assets Sold under Repurchase Agreements

Interest expense on financial assets sold under repurchase agreements for the nine months ended September 30, 2014 and 2015 accounted for 2.2% and 2.6% of our total interest expense, respectively. Interest expense on financial assets sold under repurchase agreements increased by 76.7% from RMB280 million for the nine months ended September 30, 2014 to RMB494 million for the same period in 2015, mainly due to an increase in the trading volume of the bonds sold under repurchase agreements, partially offset by a decreased funding cost resulting from increased market liquidity in the first nine months of 2015.

Interest Expense on Debt Securities Issued

We issued 10-year fixed rate subordinated bonds with an aggregate principal amount of RMB1.2 billion and a coupon rate of 5.0% in 2009. We exercised the right to redeem all these subordinated bonds at face value in 2014. We issued 10-year fixed rate subordinated bonds with an aggregate principal amount of RMB3.25 billion and a coupon rate of 6.5% in 2011. We issued 5-year financial bonds with a principal amount of RMB1.5 billion and RMB4.5 billion and a coupon rate of 5.0% and 5.7%, respectively in 2013 and 2014. We began to issue interbank certificates of deposits in May 2014. The aggregate face value of such interbank certificates of deposits amounted to RMB18.5 billion as of September 30, 2014. The face value of the newly issued interbank certificates of deposits in the first nine months of 2015 amounted to RMB100.51 billion. See "—Capital Resources—Debt Securities Issued." For the nine months ended September 30, 2014 and 2015, our interest expense on debt securities issued was RMB537 million and RMB2,295 million, respectively, accounting for 4.2% and 11.9%, respectively, of our interest expense.

Net Interest Spread and Net Interest Margin

Net interest spread is the difference between the average yield on our total interest-earning assets and the average cost of our total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of total interest-earning assets.

Our net interest spread decreased from 2.38% for the nine months ended September 30, 2014 to 2.21% for the same period in 2015, and our net interest margin decreased from 2.63% for the nine months ended September 30, 2014 to 2.41% for the same period in 2015, primarily because the yield on our interest-earning assets decreased faster than the cost of our interest-bearing liabilities, as a result of the reform and liberalization of interest rates and the intensified competition among banks and other financial institutions along with several rounds of reductions of benchmark interest rates by the PBOC.

Net Fee and Commission Income

Net fee and commission income represented 15.0% and 13.2% of our operating income for the nine months ended September 30, 2014 and 2015, respectively. The following table sets forth the principal components of our net fee and commission income for the periods indicated:

	For the nine months ended September 30,	
	2014	2015
	(unaudited)	
	(In millions of RMB)	
Fee and commission income		
Agency service	1,000	683
Wealth management business	281	868
Custodian and other fiduciary service	178	117
Credit commitment	182	365
Underwriting service	181	219
Settlement business	28	59
Others	79	100
Subtotal	1,929	2,411
Fee and commission expense	**(54)**	**(88)**
Net fee and commission income	**1,875**	**2,323**

Our net fee and commission income increased by 23.9% from RMB1,875 million for the nine months ended September 30, 2014 to RMB2,323 million for the nine months ended September 30, 2015, primarily due to an increase in our income from wealth management business and credit commitment.

Fee and Commission Income

Our fee and commission income is primarily derived from (i) agency service, (ii) wealth management business, (iii) custodian and other fiduciary service, (iv) credit commitment, (v) underwriting service, (vi) settlement business; and (vii) others. Fee and commission income increased by 25.0% from RMB1,929 million for the nine months ended September 30, 2014 to RMB2,411 million for the same period in 2015, primarily due to an increase in our income from wealth management business and credit commitment.

Agency service fees mainly include fees on entrusted loans, fee collection agency business, trust agency business and other agency businesses. Our agency service fees decreased by 31.7% from RMB1,000 million for the nine months ended September 30, 2014 to RMB683 million for the same period in 2015, primarily because we proactively adjusted our business mix according to the changing market environment.

Wealth management business fees mainly include fees from our asset management business. Our wealth management business fees increased by 209.0% from RMB281 million for the nine months ended September 30, 2014 to RMB868 million for the same period in 2015, primarily because we focused on developing medium- and high-end customers, expanding our asset investment channels and introducing innovative wealth management products, which resulted in a rapid growth in wealth management assets.

Custodian and other fiduciary service fees mainly include custodian service fees from funds, asset management plans, trust plans, and commercial banks' wealth management products. Our custodian and other fiduciary fees decreased by 34.0% from RMB178 million for the nine months ended September 30, 2014 to RMB117 million for the same period in 2015, primarily because we proactively adjusted our business mix and reduced the scale of custodian trust plans.

Credit commitment fees mainly originate from bank acceptance bills, financial guarantees and loan commitment. Our credit commitment fees increased by 100.4% from RMB182 million for the nine months ended September 30, 2014 to RMB365 million for the same period in 2015, primarily because our off-balance sheet business grew rapidly as we strengthened the synergies between our on- and off-balance sheet businesses.

Underwriting service fees mainly include fees we charged in relation to the underwriting services we provide to bond issuers according to the relevant underwriting agreements. Our underwriting fees increased by 20.9% from RMB181 million for the nine months ended September 30, 2014 to RMB219 million for the nine months ended September 30, 2015, primarily due to an increase in the volume of our bond underwriting service.

Settlement business mainly originates from settlement and E-banking services. Settlement business increased by 111.9% from RMB28 million for the nine months ended September 30, 2014 to RMB59 million for the same period in 2015, primarily due to the growth of our settlement and clearing business.

Other fees mainly include fees from the international settlement and personal financial services. Our other business fees increased by 27.3% from RMB79 million for the nine months ended September 30, 2014 to RMB100 million for the same period in 2015, primarily due to the growth of our international settlement service.

Fee and Commission Expense

Fee and commission expense primarily includes fees payable to third parties in relation to the intermediary services provided by us. Our fee and commission expense increased by 64.3% from RMB54 million for the nine months ended September 30, 2014 to RMB88 million for the same period in 2015. Fee and commission expense increased primarily due to an increase in settlement fee expenses resulting from the growth of our settlement business.

Net Trading Gains/(Losses), Net Gains/(Losses) on Financial Investments and Other Operating Income

Net trading gains/(losses) primarily include gains or losses from held-for-trading bonds, derivative financial instruments, and exchange gains or losses. Net gains/(losses) on financial investments primarily include net gains or losses on available-for-sale financial assets. Other operating income primarily includes government grants and income from the transfer of domestic letters of credit.

The following table sets forth our net trading gains/(losses), net gains/(losses) on financial investments and other operating income for the periods indicated:

	For the nine months ended September 30,	
	2014	2015
	(unaudited)	
	(In millions of RMB)	
Net trading gains/(losses)	61	(171)
Net gains/(losses) on financial investments	22	315
Other operating income	21	66
Total	**103**	**210**

Net Trading Gains/(Losses)

We recorded net trading gains of RMB61 million for the nine months ended September 30, 2014, primarily due to the investment return of RMB71 million from held-for-trading securities. In 2014, in light of the declining trend of bond yields, we strengthened our efforts in bond trading. For the nine months ended September 30, 2015, our net trading losses were RMB171 million, primarily because (i) we conducted cross-market arbitrage transactions and incurred a cost of RMB317 million from converting low-interest USD-denominated assets to high-interest RMB-denominated assets through foreign exchange swaps or currency swaps. We recorded such cost as trading loss arising from derivative instruments, and the corresponding income was recorded as interest income, the difference of which was recorded as net gains; and (ii) we increased the trading frequency and trading volume of held-for-trading bonds and recorded net trading gains of RMB158 million from the trading of RMB-denominated bonds, representing an increase of RMB87 million over the same period in 2014.

Net Gains/(Losses) on Financial Investments

Our net gains on financial investments increased by 1,326.4% from RMB22 million for the nine months ended September 30, 2014 to RMB315 million for the same period in 2015, primarily due to (i) a significant increase in our available-for-sale financial assets; and (ii) a significant increase in the price of our existing bonds as a result of a decrease in the market interest rates in an environment with easing monetary policies. This in turn resulted in a year-on-year growth in investment return on the bonds we sold.

Operating Expenses

The following table sets forth the principal components of our operating expenses for the periods indicated:

	For the nine months ended September 30,	
	2014	2015
	(unaudited)	
	(In millions of RMB)	
Staff costs	2,064	2,681
General and administrative expenses	1,130	1,244
Business tax and surcharges	811	943
Depreciation of property, plant and equipment	82	90
Amortization of intangible assets	12	16
Amortization of land use rights	9	9
Amortization of long-term prepaid expenses	36	39
Rental expenses	219	246
Auditors' remuneration	1	3
Donations	7	2
Others	20	24
Total	**4,390**	**5,296**

Our operating expenses increased by 20.6% from RMB4,390 million for the nine months ended September 30, 2014 to RMB5,296 million for the same period in 2015, primarily as a result of our business expansion and an increase in the number of our outlets and employees. For the nine months ended September 30, 2014 and 2015, our cost-to-income ratio was 28.64% and 24.82%, respectively. Our cost-to-income ratio for the nine months ended September 30, 2015 decreased slightly as compared to that for the nine months ended September 30, 2014, primarily because we strengthened our cost control measures to keep the growth of operating expenses slower than the growth of operating income.

Staff Costs

The following table sets forth the principal components of our staff costs for the periods indicated:

	For the nine months ended September 30,	
	2014	2015
	(unaudited) (In millions of RMB)	
Salaries and bonuses	1,728	2,152
Pension costs-Defined contribution plans	80	230
Housing allowance and subsidies	70	89
Labor union fee and staff education expenses	36	49
Other social security and benefit costs	150	161
Total	**2,064**	**2,681**

Staff costs increased by 29.9% from RMB2,064 million for the nine months ended September 30, 2014 to RMB2,681 million for the same period in 2015, primarily due to the increase in the number of our employees and our implementation of the corporate pension plan in 2015.

General and Administrative Expenses

General and administrative expenses mainly include expenses on office supplies, operation of electronic equipment, vehicle and vessel fuel, advertising, marketing and regulatory expenses. General and administrative expenses increased by 10.1% from RMB1,130 million for the nine months ended September 30, 2014 to RMB1,244 million for the same period in 2015, primarily as a result of an increase in our business scale and the number of our outlets and employees.

Business Tax and Surcharges

Business tax is levied at 5% of our taxable income (primarily including the interest income from loans and advances to customers and our fee and commission income). We are also subject to certain additional taxes (including urban maintenance and construction tax and educational surcharges) levied by local governments which in the aggregate accounted for 10% to 12% of the business tax paid, depending on local conditions. The business tax and surcharges increased by 16.2% from RMB811 million for the nine months ended September 30, 2014 to RMB943 million for the same period in 2015, primarily due to an increase in interest income and fee income.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment mainly includes depreciation of houses and buildings, operating equipment and transportation vehicles. Depreciation of property, plant and equipment increased by 9.5% from RMB82 million for the nine months ended September 30, 2014 to RMB90 million for the same period in 2015.

Impairment Losses on Assets

The following table sets forth the principal components of our impairment losses on assets for the periods indicated:

	For the nine months ended September 30,	
	2014	2015
	(unaudited) (In millions of RMB)	
Loans and advances to customers		
Collectively assessed	1,188	2,686
Individually assessed	744	1,563
Subtotal	1,932	4,249
Financial investments		
Including: debt instruments classified as receivables	244	479
Others[(1)]	2	12
Total	**2,178**	**4,740**

Note:

(1) Primarily include allowance for/(reversal of) impairment losses on other assets.

Impairment losses on loans to customers accounted for a substantial portion of our impairment losses on assets. Our impairment losses on loans and advances to customers increased by 119.9% from RMB1,932 million for the nine months ended September 30, 2014 to RMB4,249 million for the same period in 2015, primarily because (i) our loan balances continued to increase; (ii) considering a number of factors including the slowdown of the PRC's economic growth, we prudently increased the collectively-assessed provision ratio for our loan portfolios in order to further enhance our risk resistance capability; and (iii) we disposed of non-performing loans in a timely and efficient manner, and the amount of the non-performing loans that was written off and transferred out increased accordingly.

Income Tax Expenses

The following table sets forth the reconciliation between the income tax expenses calculated based on the statutory income tax rate applicable to our profit before tax and our actual income tax expenses for the periods indicated:

	For the nine months ended September 30,	
	2014	2015
	(unaudited) (In millions of RMB)	
Profit before income tax	**5,927**	**7,505**
Tax calculated at a tax rate of 25%	1,482	1,876
Tax effect arising from income not subject to tax[(1)]	(14)	(37)
Tax effect of expenses that are not deductible for tax purposes[(2)]	14	29
Income tax expense	**1,482**	**1,868**

Notes:

(1) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulation.

(2) The expenses that are not deductible for tax purposes mainly represent certain expenditure, such as business entertainment expenses, which exceed the tax deduction limits pursuant to PRC law on corporate income tax.

For the nine months ended September 30, 2014 and 2015, our income tax expenses were RMB1,482 million and RMB1,868 million, respectively, representing an effective income tax rate, defined as income tax expense divided by profit before income tax, of 25.0% and 24.9%, respectively.

The following table sets forth the components of our income tax expenses for the periods indicated:

	For the nine months ended September 30,	
	2014	2015
	(unaudited)	
	(In millions of RMB)	
Current income tax	1,699	2,441
Deferred income tax	(217)	(573)
Income tax expense	**1,482**	**1,868**

Net Profit

As a result of the above factors, our net profit increased by 26.8% from RMB4,445 million for the nine months ended September 30, 2014 to RMB5,637 million for the same period in 2015.

Comparison of 2012, 2013 and 2014

Net Interest Income

Net interest income constitutes a substantial part of our operating income, accounting for 90.7%, 82.4% and 83.6% of our operating income in 2012, 2013 and 2014, respectively. The following table sets forth our interest income, interest expense and net interest income for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
	(In millions of RMB)		
Interest income	18,489	23,013	32,198
Interest expense	(8,997)	(11,898)	(17,663)
Net interest income	**9,492**	**11,115**	**14,535**

Our net interest income increased by 17.1% from RMB9,492 million in 2012 to RMB11,115 million in 2013, primarily reflecting an increase in the average balance of interest-earning assets from RMB326,036 million in 2012 to RMB422,260 million in 2013. Our net interest income increased by 30.8% from RMB11,115 million in 2013 to RMB14,535 million in 2014, primarily reflecting an increase in the average balance of interest-earning assets from RMB422,260 million in 2013 to RMB554,671 million in 2014. In 2012, 2013 and 2014, the average yield on our interest-earning assets was 5.67%, 5.45% and 5.80%, respectively, and the average cost of our interest-bearing liabilities was 2.99%, 3.04% and 3.43%, respectively.

The following table sets forth the average balance of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yield on interest-earning assets or average cost of interest-bearing liabilities for the years indicated.

	For the year ended December 31,								
	2012			2013			2014		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
	(In millions of RMB, except percentages)								
Interest-earning assets									
Loans and advances to customers	166,218	12,236	7.36%	202,106	14,235	7.04%	239,699	16,433	6.86%
Financial investments	20,569	798	3.88%	30,616	1,345	4.39%	122,151	7,221	5.91%
Due from banks and other financial institutions	89,582	4,656	5.20%	128,377	6,460	5.03%	125,660	7,359	5.86%
Balances with central bank(1)	48,369	743	1.54%	59,480	901	1.52%	64,088	988	1.54%
Financial assets at fair value through profit or loss	1,298	57	4.36%	1,680	72	4.28%	3,073	197	6.40%
Total interest-earning assets	**326,036**	**18,489**	**5.67%**	**422,260**	**23,013**	**5.45%**	**554,671**	**32,198**	**5.80%**
Interest-bearing liabilities									
Customer deposits	233,446	5,596	2.40%	291,785	6,781	2.32%	328,233	8,166	2.49%
Due to banks and other financial institutions	62,900	3,128	4.97%	94,089	4,824	5.13%	167,307	8,458	5.06%
Debt securities issued	4,450	273	6.13%	4,906	293	5.97%	19,823	1,040	5.24%
Total interest-bearing liabilities	**300,795**	**8,997**	**2.99%**	**390,780**	**11,898**	**3.04%**	**515,364**	**17,663**	**3.43%**
Net interest income		9,492			11,115			14,535	
Net interest spread(2)			2.68%			2.41%			2.38%
Net interest margin(3)			2.91%			2.63%			2.62%

Notes:

(1) Mainly include mandatory deposit reserves and surplus deposit reserves.

(2) Calculated by the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(3) Calculated by dividing net interest income by average balance of total interest-earning assets.

For the changes in net interest spread and net interest margin, see "—Result of Operations—Net Interest Spread and Net Interest Margin."

The following table sets forth the changes in our interest income and interest expense due to changes in volume and interest rate for the years indicated. Changes caused by volume have been measured based on movements in average balances of interest-earning assets and interest-bearing liabilities over these years. Changes caused by interest rates have been measured based on changes in average interest rates of interest-earning assets and interest-bearing liabilities. Changes caused by both volume and interest rate have been allocated to changes in interest rate.

	For the year ended December 31,					
	2013 vs. 2012			2014 vs. 2013		
	Increase/(decrease) due to		Net increase/ (decrease)[3]	Increase/(decrease) due to		Net increase/ (decrease)[3]
	Volume[1]	Rate[2]		Volume[1]	Rate[2]	
	(In millions of RMB)					
Interest-earning assets						
Loans and advances to customers	2,642	(643)	1,999	2,648	(449)	2,199
Financial investments	390	157	547	4,020	1,857	5,877
Due from banks and other financial institutions	2,048	(244)	1,804	(149)	1,048	899
Balances with central bank	171	(12)	159	70	17	86
Financial assets at fair value through profit or loss	17	(1)	15	60	65	125
Changes in interest income	**5,267**	**(743)**	**4,524**	**6,648**	**2,537**	**9,185**
Interest-bearing liabilities						
Customer deposits	1,399	(214)	1,185	847	538	1,385
Due to banks and other financial institutions	1,597	99	1,696	3,781	(147)	3,634
Debt securities issued	28	(8)	20	891	(144)	747
Changes in interest expense	**3,023**	**(123)**	**2,901**	**5,519**	**247**	**5,765**
Changes in net interest income	**2,244**	**(621)**	**1,623**	**1,130**	**2,290**	**3,420**

Notes:

(1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield or average cost for the previous year.

(2) Represents the average yield or average cost for the year minus the average yield or average cost for the previous year, multiplied by the average balance for the year.

(3) Represents interest income or expense for the year minus interest income or expense for the previous year.

Interest Income

The following table sets forth the principal components of our interest income for the years indicated:

	For the year ended December 31,					
	2012		2013		2014	
	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB except percentages)					
Loans and advances to customers	12,236	66.2%	14,235	61.9%	16,433	51.0%
Due from banks and other financial institutions	4,656	25.2%	6,460	28.1%	7,359	22.9%
Financial investments	798	4.3%	1,345	5.8%	7,221	22.4%
Balances with central bank	743	4.0%	901	3.9%	988	3.1%
Financial assets at fair value through profit or loss	57	0.3%	72	0.3%	197	0.6%
Total	**18,489**	**100.0%**	**23,013**	**100.0%**	**32,198**	**100.0%**

Our interest income increased by 24.5% from RMB18,489 million in 2012 to RMB23,013 million in 2013, primarily reflecting an increase in the average balance of interest-earning assets, which was partially offset by a decrease in the average yield on interest-earning assets. Our interest income increased by 39.9% from RMB23,013 million in 2013 to RMB32,198 million in 2014, primarily reflecting an increase in the average balance of interest-earning assets and an increase in the average yield on interest-earning assets driven by an increase in average yield on amounts due from banks and other financial institutions as well as financial investments. For detailed discussion on loans and advances to customers, due from banks and other financial institutions and financial investments, see "—Interest Income from Loans and Advances to Customers", "—Interest Income from Due from Banks and Other Financial Institutions" and "—Interest Income from Financial Investments."

Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the largest component of our interest income, accounting for 66.2%, 61.9% and 51.0% of our total interest income in 2012, 2013 and 2014, respectively.

The largest component of our interest income from loans and advances to customers is interest income from corporate loans and advances, which accounted for 79.1%, 80.0% and 77.9% of our total interest income from loans and advances to customers in 2012, 2013 and 2014, respectively. The following table sets forth the average balance of loans and advances to customers, relevant interest income and average yield on loans and advances to customers for the years indicated:

	For the year ended December 31,								
	2012			2013			2014		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(In millions of RMB, except percentages)								
Corporate loans and advances[1]	135,227	9,680	7.16%	164,429	11,382	6.92%	192,139	12,807	6.67%
Personal loans and advances	30,991	2,555	8.25%	37,677	2,853	7.57%	47,560	3,627	7.63%
Total	**166,218**	**12,236**	**7.36%**	**202,106**	**14,235**	**7.04%**	**239,699**	**16,433**	**6.86%**

Note:
(1) Include discounted bills.

2013 Compared to 2012

Interest income from loans and advances to customers increased by 16.3% from RMB12,236 million in 2012 to RMB14,235 million in 2013, mainly due to an increase in the average balance of loans and advances to customers, partially offset by a decrease in the average yield on loans and advances to customers.

Interest income from corporate loans and advances increased by 17.6% from RMB9,680 million in 2012 to RMB11,382 million in 2013, mainly due to an increased average balance of corporate loans and advances, partially offset by a decreased average yield. Our average balance of corporate loans and advances increased mainly because: (i) economic growth stimulated the market demand for corporate loans; (ii) we expanded our geographical coverage by increasing the number of outlets; and (iii) we capitalized on market opportunities and expanded the corporate loans and advances business. Our average yield on corporate loans and advances decreased primarily because the PBOC continued to lower the benchmark interest rates on loans.

Interest income from personal loans and advances increased by 11.6% from RMB2,555 million in 2012 to RMB2,853 million in 2013, mainly due to an increased average balance of personal loans and advances, partially offset by a decreased average yield. Our average balance of personal loans and advances increased mainly because we expanded the personal business loans business. Average yield on personal loans and advances decreased mainly because: (i) the PBOC lowered the benchmark interest rates for loans; (ii) we proactively strengthened the credit review criteria of loans to cope with risks; and (iii) the market competition in the personal loans business intensified.

2014 Compared to 2013

Interest income from loans and advances to customers increased by 15.4% from RMB14,235 million in 2013 to RMB16,433 million in 2014, mainly due to an increased average balance of loans and advances to customers, partially offset by a decreased average yield on loans and advances to customers.

Interest income from corporate loans and advances increased by 12.5% from RMB11,382 million in 2013 to RMB12,807 million in 2014, mainly due to an increased average balance of corporate loans and advances, partially offset by a decreased average yield. Our average balance of corporate loans and advances increased mainly because economic growth stimulated the market demand for corporate loans, and we capitalized on market opportunities and expanded our corporate loans and advances business by increasing the number of our outlets. The decrease in average yield on corporate loans and advances was mainly due to (i) the intensified market competition and a lagging impact of interest rate cuts in 2012; and (ii) our strengthened cooperation with quality customers who have stronger price-bargaining power.

Interest income from personal loans and advances increased by 27.1% from RMB2,853 million in 2013 to RMB3,627 million in 2014, primarily due to increased average balance of personal loans and advances and increased average yield. Our average balance of personal loans and advances increased mainly because we expanded our personal business loan business. Our average yield on personal loans and advances increased mainly because we enhanced our interest rate management and further developed non-collateralized micro personal business loans with a higher yield, while keeping our risks under control.

Interest Income from Due from Banks and Other Financial Institutions

In 2012, 2013 and 2014, interest income from due from banks and other financial institutions accounted for 25.2%, 28.1% and 22.9% of our interest income, respectively. The following table sets forth the average balance, interest income and average yield on amounts due from banks and other financial institutions:

	For the year ended December 31,								
	2012			2013			2014		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(In millions of RMB, except percentages)								
Deposits and placements with banks and other financial institutions	43,248	2,160	4.99%	53,909	2,665	4.94%	60,785	3,443	5.66%
Financial assets held under resale agreements	46,334	2,496	5.39%	74,468	3,795	5.10%	64,875	3,916	6.04%
Total	**89,582**	**4,656**	**5.20%**	**128,377**	**6,460**	**5.03%**	**125,660**	**7,359**	**5.86%**

Interest Income from Deposits and Placements with Banks and Other Financial Institutions

In 2012, 2013 and 2014, interest income from deposits and placements with banks and other financial institutions accounted for 11.7%, 11.6% and 10.7% of our interest income, respectively. The interest income from deposits and placements with banks and other financial institutions increased by 23.4% from RMB2,160 million in 2012 to RMB2,665 million in 2013 and further increased by 29.2% to RMB3,443 million in 2014, mainly because we proactively adjusted our asset allocation in response to changes in market trends.

Interest Income from Financial Assets Held under Resale Agreements

In 2012, 2013 and 2014, interest income from financial assets held under resale agreements accounted for 13.5%, 16.5% and 12.2% of our interest income, respectively.

2013 Compared to 2012

Interest income from financial assets held under resale agreements increased by 52.0% from RMB2,496 million in 2012 to RMB3,795 million in 2013, mainly because we adjusted our asset allocation in response to changes in market trends, and increased the size of financial assets held under resale agreements.

2014 Compared to 2013

Interest income from financial assets held under resale agreements increased by 3.2% from RMB3,795 million in 2013 to RMB3,916 million in 2014, mainly due to a large increase in the average yield from notes purchased under resale agreements, which was partially offset by a decrease in the average balances of notes purchased under resale agreements.

Interest Income from Financial Investments

	For the year ended December 31,								
	2012			2013			2014		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
	(In millions of RMB, except percentages)								
Available-for-sale financial assets	8,017	276	3.44%	6,176	229	3.71%	13,457	642	4.77%
Held-to-maturity investments	8,451	274	3.25%	14,103	506	3.59%	17,970	767	4.27%
Debt instruments classified as receivables	4,101	248	6.04%	10,337	610	5.90%	90,724	5,812	6.41%
Total	**20,569**	**798**	**3.88%**	**30,616**	**1,345**	**4.39%**	**122,151**	**7,221**	**5.91%**

In 2012, 2013 and 2014, interest income from financial investments accounted for 4.3%, 5.8% and 22.4% of our total interest income respectively.

Interest income from financial investments increased by 68.5% from RMB798 million in 2012 to RMB1,345 million in 2013 and further increased by 437.0% to RMB7,221 million in 2014, mainly because (i) we increased our bond investments and purchased bonds at a reasonable time when the interest rate was at a relatively high level, leading to a significant increase in the interest income; and (ii) we significantly increased our debt instruments classified as receivables.

Interest Income from Balances with Central Bank

In 2012, 2013 and 2014, interest income from balances with central bank accounted for 4.0%, 3.9% and 3.1% of our interest income, respectively.

Interest income from balances with central bank increased by 21.4% from RMB743 million in 2012 to RMB901 million in 2013 and further increased by 9.6% to RMB988 million in 2014, mainly due to increased mandatory deposit reserves and surplus deposit reserves resulting from our increased deposits.

Interest Income from Financial Assets at Fair Value through Profit or Loss

In 2012, 2013 and 2014, interest income from financial assets at fair value through profit or loss accounted for 0.3%, 0.3% and 0.6% of our total interest income, respectively.

Interest income from financial assets at fair value through profit or loss increased by 27.1% from RMB57 million in 2012 to RMB72 million in 2013 and further increased by 173.2% to RMB197 million in 2014, mainly because (i) we increased investments in financial assets at fair value through profit or loss; and (ii) the yield on bonds remained at a relatively high level during the period from the second half of 2013 to the first half of 2014, and we invested in a number of high-credit-rating bonds with relatively high yields at that time.

Interest Expense

The following table sets forth the principal components of our interest expense for the years indicated:

	For the year ended December 31,					
	2012		2013		2014	
	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)					
Customer deposits	5,596	62.2%	6,781	57.0%	8,166	46.2%
Due to banks and other financial institutions	3,128	34.8%	4,824	40.5%	8,458	47.9%
Debt securities issued	273	3.0%	293	2.5%	1,040	5.9%
Total	**8,997**	**100.0%**	**11,898**	**100.0%**	**17,663**	**100.0%**

Interest expense increased by 32.2% from RMB8,997 million in 2012 to RMB11,898 million in 2013 and increased by 48.5% to RMB17,663 million in 2014, primarily as a result of increases in the average balance of customer deposits and due to banks and other financial institutions.

Interest Expense on Customer Deposits

Interest expense on customer deposits is a major component of our interest expense, accounting for 62.2%, 57.0% and 46.2% of our total interest expense in 2012, 2013 and 2014, respectively. The following table sets forth the average balance, interest expense and average cost of our deposits by product type for the years indicated:

	For the year ended December 31,								
	2012			2013			2014		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(In millions of RMB, except percentages)								
Corporate deposits and other deposits[(1)]									
Time	139,002	4,472	3.22%	174,284	5,533	3.17%	204,845	6,881	3.36%
Demand	75,869	616	0.81%	96,320	678	0.70%	101,658	706	0.69%
Subtotal	214,871	5,088	2.37%	270,604	6,211	2.30%	306,504	7,587	2.48%
Individual deposits[(1)]									
Time	15,380	494	3.21%	17,643	556	3.15%	17,645	562	3.19%
Demand	3,195	14	0.43%	3,539	14	0.39%	4,084	16	0.40%
Subtotal	18,575	508	2.73%	21,181	570	2.69%	21,730	579	2.66%
Total	**233,446**	**5,596**	**2.40%**	**291,785**	**6,781**	**2.32%**	**328,233**	**8,166**	**2.49%**

Note:
(1) Include pledged deposits held as collateral.

2013 Compared to 2012

Interest expense on customer deposits increased by 21.2% from RMB5,596 million in 2012 to RMB6,781 million in 2013, mainly because we increased our marketing efforts to attract deposits and increased the number of outlets. As a result, the average balance of customer deposits increased from RMB233,446 million in 2012 to RMB291,785 million in 2013, partially offset by decreased cost of deposits. Our cost of total time deposits decreased from 3.22% for the year ended December 31, 2012 to 3.17% for the year ended December 31, 2013, and our cost of total demand deposits decreased from 0.80% for the year ended December 31, 2012 to 0.69% for the year ended December 31, 2013, mainly due to a structural change in our demand deposits and an increase in the proportion of low-yield deposits.

2014 Compared to 2013

Interest expense on customer deposits increased by 20.4% from RMB6,781 million in 2013 to RMB8,166 million in 2014, mainly due to (i) our increased marketing efforts to attract deposits, which led to an increase in the average balance of customer deposits from RMB291,785 million in 2013 to RMB328,233 million in 2014; and (ii) the raised interest rate ceiling and the change in the structure of our deposits, which in turn increased our cost of deposits from 2.32% in 2013 to 2.49% in 2014.

Interest Expense on Due to Banks and Other Financial Institutions

In 2012, 2013 and 2014, our interest expense on amounts due to banks and other financial institutions accounted for 34.8%, 40.5% and 47.9%, respectively, of our total interest expense. The following table sets forth the average balance, interest expense and average cost of amounts due to banks and other financial institutions for the years indicated:

	For the year ended December 31,								
	2012			2013			2014		
	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost	Average balance	Interest expense	Average cost
	(In millions of RMB, except percentages)								
Deposits and placements from banks and other financial institutions	54,032	2,750	5.09%	86,325	4,516	5.23%	155,621	8,066	5.18%
Financial assets sold under repurchase agreements	8,868	378	4.26%	7,763	308	3.97%	11,687	392	3.35%
Total	**62,900**	**3,128**	**4.97%**	**94,089**	**4,824**	**5.13%**	**167,307**	**8,458**	**5.06%**

Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

Our interest expense on deposits and placements from banks and other financial institutions accounted for 30.6%, 38.0% and 45.7% of our total interest expense, respectively, in 2012, 2013 and 2014. The interest expense on deposits and placements from banks and other financial institutions increased by 64.2% from RMB2,750 million in 2012 to RMB4,516 million in 2013, and further increased by 78.6% to RMB8,066 million in 2014, mainly due to the growth of the average balance of our deposits and placements from banks and other financial institutions.

Interest Expense on Financial Assets Sold under Repurchase Agreements

Interest expense on financial assets sold under repurchase agreements accounted for 4.2%, 2.6% and 2.2% of the interest expense, respectively, in 2012, 2013 and 2014.

2013 Compared to 2012

Interest expense on financial assets sold under repurchase agreements decreased by 18.5% from RMB378 million in 2012 to RMB308 million in 2013, mainly due to a decrease in the average balances and interest rates of financial assets sold under repurchase agreements in 2013.

2014 Compared to 2013

Interest expense on financial assets sold under repurchase agreements increased by 27.2% from RMB308 million in 2013 to RMB392 million in 2014, mainly due to an increased trading volume of financial assets sold under repurchase agreements, partially offset by decreased interest rates of repurchase agreements.

Interest Expense on Debt Securities Issued

In 2012, 2013 and 2014, the interest expense on our debt securities issued was RMB273 million, RMB293 million and RMB1,040 million, respectively, accounting for 3.0%, 2.5% and 5.9%, respectively, of our total interest expense. For more information about our issued bonds, see "—Indebtedness."

2013 Compared to 2012

Interest expense on our debt securities issued increased by 7.4% from RMB273 million in 2012 to RMB293 million in 2013, mainly because we issued financial bonds backed by small and micro enterprise loans with an amount of RMB1.5 billion and an interest rate of 5.0% in 2013.

2014 Compared to 2013

Interest expense on debt securities issued increased by 254.9% from RMB293 million in 2013 to RMB1,040 million in 2014, mainly because (i) we issued financial bonds backed by small and micro enterprise loans with an amount of RMB4.5 billion and an interest rate of 5.7% in 2014; and (ii) we issued interbank certificates of deposits with a face value of RMB50.5 billion in 2014.

Net Interest Spread and Net Interest Margin

2013 Compared to 2012

Our net interest spread decreased from 2.68% in 2012 to 2.41% in 2013. Our net interest margin decreased from 2.91% in 2012 to 2.63% in 2013. Net interest spread and net interest margin decreased mainly because the PBOC successively lowered the benchmark interest rates on loans, reducing our yield on loans and advances to customers.

2014 Compared to 2013

Our net interest spread decreased from 2.41% in 2013 to 2.38% in 2014. Our net interest margin decreased from 2.63% in 2013 to 2.62% in 2014. Net interest spread and net interest margin decreased mainly because our yield on loans and advances to customers decreased and our costs of customer deposits increased as a result of the interest rate liberalization.

Net Fee and Commission Income

Net fee and commission income accounted for 8.4%, 17.2% and 15.1% of our operating income in 2012, 2013 and 2014, respectively. The following table sets forth the principal components of our net fee and commission income for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
	(In millions of RMB)		
Fee and commission income			
Agency service	244	1,062	1,405
Wealth management business	417	649	354
Custodian and other fiduciary service	12	234	267
Credit commitment	137	176	265
Underwriting service	59	126	276
Settlement business	49	54	42
Others	51	66	83
Subtotal	969	2,366	2,691
Fee and commission expense	**(92)**	**(47)**	**(70)**
Net fee and commission income	**878**	**2,319**	**2,621**

Our net fee and commission income increased from RMB878 million in 2012 to RMB2,319 million in 2013, primarily due to a significant increase in our fee income from agency service and income from custodian and other fiduciary service. Our net fee and commission income increased from RMB2,319 million in 2013 to RMB2,621 million in 2014, primarily reflecting an increase in our fee income from agency service, credit commitment and underwriting service.

Fee and Commission Income

Fee and commission income increased by 144.1% from RMB969 million in 2012 to RMB2,366 million in 2013 and further increased by 13.8% to RMB2,691 million in 2014, primarily due to an increase in our fee income from agency service.

Agency service fees increased by 335.6% from RMB244 million in 2012 to RMB1,062 million in 2013 and further increased by 32.3% to RMB1,405 million in 2014, primarily because we capitalized on market opportunities to develop advisory and consulting services and supervisory businesses, effectively increasing our fee income from agency service.

Wealth management business fees increased by 55.5% from RMB417 million in 2012 to RMB649 million in 2013, primarily because we increased our efforts to provide wealth management business for customers and such business developed rapidly. Wealth management business fees decreased by 45.5% from RMB649 million in 2013 to RMB354 million in 2014, primarily because we proactively aligned our investments of wealth management assets with regulatory requirements and market trends.

Custodian and other fiduciary service fees increased from RMB12 million in 2012 to RMB234 million in 2013 and further increased to RMB267 million in 2014, primarily because we developed custodian services for trust funds and private equity.

Credit commitment fees increased by 28.8% from RMB137 million in 2012 to RMB176 million in 2013 and further increased by 50.8% to RMB265 million in 2014, primarily due to a rapid growth in our off-balance sheet business resulting from the increased synergies between our on- and off-balance sheet businesses.

Underwriting service fees increased by 113.8% from RMB59 million in 2012 to RMB126 million in 2013 and further increased by 118.2% to RMB276 million in 2014, primarily due to the rapid growth in our underwriting business.

Settlement fees increased by 8.9% from RMB49 million in 2012 to RMB54 million in 2013 and decreased by 21.3% to RMB42 million in 2014, primarily because (i) our development of various businesses increased the trading volume of our settlement business; (ii) we increased our efforts to develop E-channel settlement services, such as electronic bank bills and "E-Pay", which offered relatively larger discount and gradually replaced or diverted the traditional settlement methods with a relatively high fee; and (iii) we provided a relatively large discount or a waiver on settlement service fees.

Other services mainly consist of international settlement services. Other fees increased by 28.2% from RMB51 million in 2012 to RMB66 million in 2013 and further increased by 26.2% to RMB83 million in 2014, primarily due to the growth of our international settlement services business.

Fee and Commission Expense

Our fee and commission expense decreased by 48.6% from RMB92 million in 2012 to RMB47 million in 2013, primarily because we incurred an expense of RMB46 million for our fund custodian business in 2012. Our fee and commission expense increased by 48.8% from RMB47 million in 2013 to RMB70 million in 2014, primarily reflecting increased fee expenses from our settlement services and increased expenses from the valuation of properties for the purposes of mortgage registration.

Net Trading Gains/(Losses), Net Gains/(Losses) on Financial Investments and Other Operating Income

The following table sets forth our net trading gains/(losses), net gains/(losses) on financial investments and other operating income for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
	(In millions of RMB)		
Net trading gains/(losses)	51	5	86
Net gains/(losses) on financial investments	7	(3)	42
Other operating income	39	59	112
Total	**97**	**62**	**240**

Net Trading Gains/(Losses)

Our net trading gains decreased by 89.2% from RMB51 million in 2012 to RMB5 million in 2013, primarily due to a significant increase in yields in the bond market in 2013, which led to changes in the fair value of held-for-trading bonds and changes in our gains from bond trading.

Our net trading gains increased by 1,464.8% to RMB86 million in 2014 from RMB5 million in 2013, primarily due to an increase in gains from held-for-trading bond investments and exchange gains.

Net Gains/(Losses) on Financial Investments

We recorded a net loss on financial investments of RMB3 million in 2013 compared to a net gain on financial investments of RMB7 million in 2012. Changes in the gains on financial investments mainly reflected a significant increase in the yields in the bond market in 2013, which led to a decrease in the fair value of bonds and a loss from our disposal of available-for-sale bonds. We recorded a net gain on financial investments of RMB42 million in 2014, compared to a net loss on financial investments of RMB3 million in 2013, mainly because we capitalized on the market interest rate movements, and increased our investments in available-for-sale bonds.

Other Operating Income

Our other operating income increased by 52.0% from RMB39 million in 2012 to RMB59 million in 2013 and further increased by 90.1% to RMB112 million in 2014, mainly due to increased government grants.

Operating Expenses

The following table sets forth the principal components of our operating expenses for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
	(In millions of RMB)		
Staff costs	1,442	2,286	2,722
General and administrative expenses	1,422	1,583	1,670
Business tax and surcharges	799	941	1,101
Depreciation of property, plant and equipment	91	104	115
Amortization of intangible assets	13	16	19
Amortization of land use rights	11	11	11
Amortization of long-term prepaid expenses	35	45	50
Rental expenses	219	265	306
Auditors' remuneration	2	2	2
Donations	3	4	8
Others	8	12	23
Total	**4,045**	**5,271**	**6,028**

Operating expenses increased by 30.3% from RMB4,045 million in 2012 to RMB5,271 million in 2013, and further increased by 14.4% to RMB6,028 million in 2014. The increase in our operating expenses was primarily due to an increase in staff costs and general and administrative expenses along with our business expansion and an increase in the number of our outlets. Cost-to-income ratio remained relatively stable at 31.01% in 2012 and at 32.08% in 2013, and decreased to 28.32% in 2014, primarily because of an increase in our operating income, which, combined with our strengthened expense management and cost control measures, led to a slower growth of operating expenses compared to that of operating income in 2014.

Staff Costs

The following table sets forth the principal components of our staff costs for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
	(In millions of RMB)		
Salaries and bonuses	1,125	1,870	2,237
Pension costs-Defined contribution plans	71	99	111
Housing allowance and subsidies	66	81	99
Labor union fee and staff education expenses	35	49	62
Other social security and benefit costs	146	187	214
Total	**1,442**	**2,286**	**2,722**

Staff costs increased by 58.5% from RMB1,442 million in 2012 to RMB2,286 million in 2013, primarily due to the growth in the number of our employees and the implementation of general and special compensation scheme. Staff costs increased by 19.1% from RMB2,286 million in 2013 to RMB2,722 million in 2014, primarily due to an increase in the number of our employees.

General and Administrative Expenses

General and administrative expenses increased by 11.3% from RMB1,422 million in 2012 to RMB1,583 million in 2013 and increased by 5.5% to RMB1,670 million in 2014. The increase in general and administrative expenses was primarily due to an increase in the number of our outlets and employees.

Business Tax and Surcharges

Business tax and surcharges increased by 17.7% from RMB799 million in 2012 to RMB941 million in 2013 and increased by 17.1% to RMB1,101 million in 2014, primarily due to an increase in taxable income arising from our business expansion.

Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment increased by 14.6% from RMB91 million in 2012 to RMB104 million in 2013, and further increased by 10.2% to RMB115 million in 2014. The increase in depreciation of property, plant and equipment was a result of an increase in the number of our outlets.

Rental Expenses

Rental expenses increased by 21.5% from RMB219 million in 2012 to RMB265 million in 2013, and further increased by 15.4% to RMB306 million in 2014. The increase in rental expenses was primarily due to an increase in the number of our outlets.

Impairment Losses on Assets

The following table sets forth the principal components of our impairment losses on assets for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
	(In millions of RMB)		
Loans and advances to customers			
Collectively assessed	920	1,105	2,900
Individually assessed	142	593	1,380
Subtotal	1,062	1,699	4,280
Financial investments			
Including: debt instruments classified as receivables	—	—	291
Others(1)	1	4	6
Total	**1,063**	**1,703**	**4,576**

Note:
(1) Primarily include allowance for/(reversal of) impairment losses on other assets.

Impairment losses on loans and advances to customers accounted for a substantial portion of our impairment losses on assets. Our impairment losses on loans and advances to customers increased from RMB1,062 million in 2012 to RMB1,699 million in 2013, and further increased to RMB4,280 million in 2014, mainly because (i) our loan balances increased; (ii) we prudently increased the collectively-assessed provision ratio for our loan portfolios during the years in order to further enhance our risk resistance capability in light of a number of factors, including the slowdown of the PRC's economic growth; and (iii) we disposed of non-performing loans in a timely and efficient manner, and the amounts that were written off and transferred out increased accordingly. For further details of the quality of loans to customers, see "Description of Our Assets and Liabilities—Assets—Loans and Advances to Customers—Asset Quality of Our Loan Portfolio."

Income Tax Expense

The following table sets forth the reconciliation between the income tax expense calculated based on the statutory income tax rate applicable to our profit before tax and our actual income tax expense for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
	(In millions of RMB)		
Profit before income tax	**5,359**	**6,521**	**6,792**
Tax calculated at a tax rate of 25%	1,340	1,630	1,698
Tax effect arising from income not subject to tax (1)	(25)	(22)	(21)
Tax effect of expenses that are not deductible for tax purposes (2)	18	12	20
Income tax expense	**1,333**	**1,620**	**1,697**

Notes:
(1) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulation.
(2) The expenses that are not deductible for tax purposes mainly represent certain expenditure, such as business entertainment expenses, which exceed the tax deduction limits pursuant to PRC Law on corporate income tax.

In 2012, 2013 and 2014, our income tax expense was RMB1,333 million, RMB1,620 million and RMB1,697 million, respectively, representing an effective income tax rate of 24.9%, 24.8% and 25.0%, respectively. The increase in tax expense in 2012, 2013 and 2014 was primarily attributable to an increase in our taxable income.

The following table sets forth the components of our income tax expenses for the years indicated:

	For the year ended December 31,		
	2012	2013	2014
	(In millions of RMB)		
Current income tax	1,495	1,833	2,308
Deferred income tax	(162)	(213)	(611)
Income tax expense	**1,333**	**1,620**	**1,697**

Net Profit

As a result of the above factors, our net profit increased by 21.7% from RMB4,026 million in 2012 to RMB4,901 million in 2013, and further increased by 4.0% to RMB5,096 million in 2014.

SUMMARY OF SEGMENT OPERATING RESULTS

Based on our products and services, we have identified a number of main business segments, which include corporate banking, retail banking and treasury business. See "Business—Our Principal Businesses." The following table sets forth the operating income of each of our main business segments for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2012		2013		2014		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(In millions of RMB, except percentages)									
Corporate banking	7,843	74.9%	10,031	74.3%	12,329	70.9%	8,915	71.3%	9,693	55.3%
Retail banking	1,345	12.9%	1,567	11.6%	1,994	11.5%	1,430	11.4%	1,693	9.7%
Treasury business	1,254	12.0%	1,865	13.8%	3,039	17.5%	2,129	17.0%	6,128	34.9%
Others(1)	24	0.2%	32	0.2%	35	0.2%	21	0.2%	27	0.2%
Total	**10,466**	**100.0%**	**13,496**	**100.0%**	**17,397**	**100.0%**	**12,495**	**100.0%**	**17,541**	**100.0%**

Note:
(1) Mainly include assets, liabilities, revenue and expenses that cannot be directly attributed to certain segments.

Summary of Segment Information by Region

In presenting information on the basis of regions, information about operating income is gathered according to the locations of the headquarters and branches that generated the income. Therefore, we categorize such information by region. The following table sets forth the total operating income of each of the regions for the periods indicated.

	For the year ended December 31,						For the nine months ended September 30,			
	2012		2013		2014		2014		2015	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(In millions of RMB, except percentages)									
Operating income										
Eastern China	5,805	55.5%	7,252	53.7%	9,945	57.2%	7,153	57.2%	11,250	64.1%
Northern China	2,741	26.2%	3,209	23.8%	3,717	21.4%	2,634	21.1%	3,134	17.9%
Western China	1,491	14.2%	2,486	18.4%	3,113	17.9%	2,246	18.0%	2,582	14.7%
Southern China	430	4.1%	548	4.1%	622	3.6%	462	3.7%	575	3.3%
Total	**10,466**	**100.0%**	**13,496**	**100.0%**	**17,397**	**100.0%**	**12,495**	**100.0%**	**17,541**	**100.0%**

In the year ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, operating income from Eastern China accounted for 55.5%, 53.7%, 57.2% and 64.1%, respectively, of our total operating income. The percentage of operating income from Eastern China remained stable from 2012 to 2014. The percentage of operating income from Eastern China increased in 2014, mainly because we adjusted our strategic positioning and accelerated the development of treasury business, leading to a rapid increase in the percentage of the net interest income from treasury business in our operating income in 2014. In addition, our treasury business is mainly concentrated in our headquarters and the surrounding outlets in Eastern China. Therefore, the percentage of operating income from Eastern China in 2014 increased significantly. In the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our operating income from other areas maintained a certain level of growth.

FINANCIAL POSITION

Liquidity

Liquidity risk refers to the risk of failure to obtain adequate funds to repay debts in time or at reasonable cost. The asset and liability management department of our headquarters implements the policies and strategies on managing our day-to-day liquidity risk under the supervision of our asset and liability management committee. For details, see "Risk Management—Liquidity Risk Management."

Our available cash resources need to meet the demands from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees and from margin and other calls on cash-settled derivatives. We do not, nor are we required to, maintain cash resources to meet all these needs, and based on our experience, a portion of the maturing deposits will be rolled over and continue to remain with us. We also maintain certain amount of cash and surplus deposit reserve, as well as certain financing ability on the interbank market to meet any unexpected liquidity requirements. See "Risk Management—Liquidity Risk Management."

The following table sets forth the maturity analysis of assets and liabilities as of the date indicated:

	As of September 30, 2015							
	On demand	Within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	More than 5 years	Overdue	Indefinite	Total amount
Assets								
Cash and balances with central bank	7,323	—	—	—	—	—	77,083	84,405
Due from banks and other financial institutions	4,704	74,172	30,777	1,158	—	—	—	110,811
Financial assets at fair value through profit or loss	—	—	961	6,301	1,438	—	—	8,699
Derivative financial assets	—	79	169	49	—	—	—	298
Loans and advances to customers	—	55,430	184,424	76,477	8,869	4,526	—	329,726
Financial investments								
—Available-for-sale	—	1,185	6,052	24,356	10,031	—	25	41,649
—Held-to-maturity	—	4,300	812	14,476	7,849	—	—	27,437
—Debt instruments classified as receivables	—	76,345	233,157	78,721	2,631	—	—	390,853
Other assets (including deferred income tax assets)	104	1,394	3,469	1,141	136	10	4,182	10,436
Total assets	**12,130**	**212,905**	**459,820**	**202,679**	**30,954**	**4,536**	**81,290**	**1,004,315**
Liabilities								
Due to banks and other financial institutions	(25,647)	(161,635)	(156,458)	(1,000)	—	—	—	(344,740)
Financial liabilities at fair value through profit or loss	—	—	(500)	—	—	—	—	(500)
Derivative financial liabilities	—	(94)	(236)	(51)	—	—	—	(381)
Customer deposits	(187,374)	(62,755)	(135,841)	(111,878)	(2,497)	—	—	(500,345)
Debt securities issued	—	(45,513)	(39,885)	(6,800)	(3,250)	—	—	(95,448)
Other liabilities (including deferred income tax liabilities)	(2,529)	(8,039)	(3,245)	(1,425)	(44)	—	(4)	(15,286)
Total liabilities	**(215,550)**	**(278,036)**	**(336,165)**	**(121,154)**	**(5,791)**	**—**	**(4)**	**(956,700)**
Net liquidity gap	**(203,420)**	**(65,131)**	**123,655**	**81,525**	**25,164**	**4,536**	**81,285**	**47,615**

Cash Flows

The following table sets forth our cash flows for the periods indicated. See "Appendix I—Accountant's Report—I. Financial Information of the Bank—Statements of Cash Flows."

	For the year ended December 31,			For the nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(In millions of RMB)				
Net cash flow generated from/(used in) operating activities	12,629	(12)	143,329	105,048	151,803
Net cash flow generated from/(used in) investing activities	(1,697)	(13,891)	(186,031)	(128,197)	(209,224)
Net cash flow generated from/ (used in) financing activities	819	(1,514)	41,050	18,567	54,034
Effect of foreign exchange rate changes on cash and cash equivalents	(0)	1	(1)	(0)	2
Net increase/(decrease) in cash and cash equivalents	11,751	(15,417)	(1,654)	(4,583)	(3,386)

Cash Flows from/(Used in) Operating Activities

Cash inflow from operating activities primarily consists of a net increase in customer deposits, net decrease in amounts due from banks and other financial institutions and net increase in amounts due to banks and other financial institutions. Cash outflow from operating activities primarily consists of a net increase in mandatory deposit reserves with central bank and a net increase in loans and advances to customers.

Net cash inflow from operating activities of RMB12,629 million was recorded in 2012 and net cash outflow of RMB12 million was recorded in 2013. The change in cash flows from operating activities was primarily due to the growth in the net increase in due from banks and other financial institutions.

Net cash outflow from operating activities of RMB12 million was recorded in 2013 and net cash inflow of RMB143,329 million was recorded in 2014. The change in cash flows from operating activities was primarily due to a net decrease in due from banks and other financial institutions in 2014.

Net cash inflow from operating activities increased from RMB105,048 million in the nine months ended September 30, 2014 to RMB151,803 million in the same period in 2015, primarily due to the growth in a net increase in customer deposits and due to banks and other financial institutions.

Cash Flows from/(Used in) Investing Activities

Cash inflow from investing activities is primarily attributable to interest income from financial investments and proceeds from disposal and redemption of investments. Cash outflow from investing activities is primarily attributable to cash paid for financial investments and cash paid for purchases of fixed assets, intangible assets and other long-term assets.

Net cash outflow from investing activities increased from RMB1,697 million in 2012 to RMB13,891 million in 2013, mainly due to a decrease in proceeds from disposal and redemption of investments.

Net cash outflow from investing activities increased from RMB13,891 million in 2013 to RMB186,031 million in 2014, primarily due to an increase in cash paid for financial investments.

Net cash outflow from investing activities increased from RMB128,197 million in the nine months ended September 30, 2014 to RMB209,224 million in the same period in 2015, primarily due to an increase in cash paid for financial investments, which was partially offset by an increase in interest income received from financial investments and an increase in proceeds from disposal and redemption of financial investments.

Cash Flows from/(Used in) Financing Activities

Cash inflow from financing activities is primarily attributable to proceeds from the issuance of shares and bonds while cash outflow from financing activities is primarily attributable to cash paid for repayment of debt securities and interest paid on debt securities issued.

Net cash inflow from financing activities of RMB819 million was recorded in 2012 and net cash outflow from financing activities of RMB1,514 million was recorded in 2013. The change in cash flows from financing activities was primarily due to RMB3,090 million in proceeds received from the issuance of shares in 2012 and an increase in cash paid for dividend distribution in 2013 compared to that in 2012.

Net cash outflow from financing activities of RMB1,514 million was recorded in 2013 and net cash inflow from financing activities of RMB41,050 million was recorded in 2014. The change in cash flows from financing activities was primarily due to an increase in proceeds from issuance of debt securities.

Net cash inflow from financing activities increased from RMB18,567 million in the nine months ended September 30, 2014 to RMB54,034 million in the same period in 2015, mainly due to an increase in proceeds from issuance of debt securities, which was partially offset by an increase in cash paid for repayment of debt securities.

CAPITAL RESOURCES

Shareholders' Equity

The following table sets forth the principal components of our shareholders' equity as of the dates indicated:

	As of December 31,			As of September 30,
	2012	**2013**	**2014**	**2015**
	(In millions of RMB)			
Share capital	10,007	11,507	11,507	14,510
Capital reserve	4,946	6,536	6,536	12,181
Other reserves				
Surplus reserve	1,070	1,560	2,070	2,070
Statutory general reserve	2,031	3,845	4,639	8,241
Investment revaluation reserve	(4)	(96)	150	330
Subtotal	3,098	5,310	6,860	10,641
Retained earnings	4,659	4,456	8,248	10,283
Total	**22,709**	**27,808**	**33,150**	**47,615**

December 31, 2013 Compared to December 31, 2012

Share capital. Our share capital was RMB10,007 million and RMB11,507 million as of December 31, 2012 and 2013, respectively. The increase in our share capital was due to an increase of RMB1,500 million in our registered capital, resulting from the issuance of additional 1,500 million shares to Zhejiang Province Financial Development Company in 2013.

Capital reserve. Our capital reserve was RMB4,946 million and RMB6,536 million as of December 31, 2012 and 2013, respectively. The increase in our capital reserve was due to a contribution of RMB3,090 million made by Zhejiang Province Financial Development Company, including a premium of RMB1,590 million, with the premium included in our capital reserve.

Other reserves. Other reserves include surplus reserve, statutory general reserve and investment revaluation reserve. Our other reserves were RMB3,098 million and RMB5,310 million as of December 31, 2012 and 2013, respectively. The increase in our other reserves was mainly due to (i) an increase in our statutory surplus reserve that we set aside based on 10% of our net profit every year, as a result of an increase in our net profit; and (ii) an increase in our statutory general reserve that we set aside based on 1.5% of our risk asset balances, as a result of an increase in our risk asset balances.

Retained earnings. We had retained earnings of RMB4,659 million and RMB4,456 million as of December 31, 2012 and 2013, respectively. The decrease in our retained earnings was due to dividend distributions and an increase in our statutory general reserve.

December 31, 2014 Compared to December 31, 2013

Share capital. Our share capital was RMB11,507 million and RMB11,507 million as of December 31, 2013 and 2014, respectively. Our share capital remained at the same level.

Capital reserve. Our capital reserve was RMB6,536 million and RMB6,536 million as of December 31, 2013 and 2014, respectively. Our capital reserve remained at the same level.

Other reserves. Our other reserves were RMB5,310 million and RMB6,860 million as of December 31, 2013 and 2014, respectively. The increase in our other reserves was mainly due to (i) an increase in our statutory surplus reserve that we set aside based on 10% of our net profit every year, as a result of an increase in our net profit; and (ii) an increase in our statutory general reserve that we set aside based on 1.5% of our risk asset balances, as a result of an increase in our risk asset balances.

Retained earnings. We had retained earnings of RMB4,456 million and RMB8,248 million as of December 31, 2013 and 2014, respectively. The increase in our retained earnings was due to an increase in our net profit, which was partially offset by an increase in our statutory general reserve.

September 30, 2015 Compared to December 31, 2014

Share capital. Our share capital was RMB11,507 million and RMB14,510 million as of December 31, 2014 and September 30, 2015, respectively. The increase in our share capital was due to an increase of RMB3,003 million in our registered capital, resulting from the 3,003 million shares we issued in 2015.

Capital reserve. Our capital reserve was RMB6,536 million and RMB12,181 million as of December 31, 2014 and September 30, 2015, respectively. The increase in our capital reserve was due to a capital injection of RMB8,648 million made by subscribing shareholders, including a premium of RMB5,645 million. Such premium was included in our capital reserve.

Other reserves. We had other reserves of RMB6,860 million and RMB10,641 million as of December 31, 2014 and September 30, 2015, respectively. The increase in our other reserves was mainly due to an increase in our statutory general reserve.

Retained earnings. We had retained earnings of RMB8,248 million and RMB10,283 million as of December 31, 2014 and September 30, 2015, respectively. The increase in our retained earnings was due to an increase in our net profit, which was partially offset by an increase in our statutory general reserve.

Debt Securities Issued

We issued 10-year subordinated bonds in each of 2009 and 2011, consisting of: (i) fixed-rate subordinated bonds in an aggregate principal amount of RMB1.2 billion due on May 27, 2019, with an interest rate of 5.0% per annum for the first five years. If the bonds are not redeemed at the end of the fifth year, the interest rate will increase to 8.0% per annum in the following five years. Such bonds were fully redeemed in 2014, and (ii) fixed-rate subordinated bonds in an aggregate principal amount of RMB3.25 billion due on November 28, 2021, with an interest rate of 6.5% per annum, and such bonds can be redeemed at face value in 2016.

We issued five-year financial bonds in each of 2013 and 2014, consisting of: (i) fixed-rate financial bonds in an aggregate principal amount of RMB1.5 billion due on September 12, 2018, with an interest rate of 5.0% per annum, and such bonds are not redeemable before their maturity dates; and (ii) fixed-rate financial bonds in an aggregate principal amount of RMB4.5 billion due on March 11, 2019, with an interest rate of 5.7% per annum, and such bonds are not redeemable before their maturity dates. In 2014, we issued several tranches of interbank certificates of deposits with an aggregate face value of RMB50.5 billion with maturity terms ranging from three months to one year. In the first nine months of 2015, we issued additional several tranches of interbank certificates of deposits with an aggregate face value of RMB100.51 billion with terms ranging from one month to two years.

Capital Adequacy

On February 23, 2004, the CBRC promulgated the Capital Adequacy Measures, which required commercial banks in the PRC to maintain a minimum core capital adequacy ratio of 4.0% and a minimum capital adequacy ratio of 8.0%. See "Supervision and Regulation—Supervision over Capital Adequacy Ratio—The Newest Standard of the CBRC's Supervision over Capital Adequacy Level."

On June 7, 2012, the CBRC promulgated the Capital Administrative Measures, which became effective on January 1, 2013. The Capital Administrative Measures sets forth the capital adequacy requirements for different tiers of capital, and provides for a transition period between 2013 and 2018, during which the minimum capital adequacy ratios increase every year.

According to the provisions applicable to commercial banks which meet the requirements before 2018 and are not systemically important banks, the core tier-one capital adequacy ratio shall not be lower than 7.5%; the tier-one capital adequacy ratio shall not be lower than 8.5%; and the capital adequacy ratio shall not be lower than 10.5%. See "Supervision and Regulation—Supervision over Capital Adequacy Ratio—Time Limit for Meeting the Requirements."

The following table sets forth, as of the dates indicated, certain information relating to our capital adequacy calculated under the Capital Adequacy Measures. The basis of calculation of the information is identical to the basis of calculation of the ratios that we submitted to the Zhejiang Bureau of CBRC:

	As of December 31, 2012
	(In millions of RMB, except percentages)
Core capital:	
Share capital	10,007
Qualifying portion of capital reserves	4,942
Surplus reserves and general risk reserves	2,699
Qualifying portion of retained earnings	5,484
Non-controlling interests	—
Subtotal	23,131
Supplementary capital:	
General provision for loan impairment	1,824
Long-term subordinated debts	4,450
Other supplementary capital	1
Counted supplementary capital	**6,275**
Total capital base before deductions	**29,406**
Deductions:	
Equity investments in financial institutions	25
Equity investments in industrial and commercial enterprises	—
Equity investments in real estate	—
Other deductions	—
Subtotal	25
Net capital after deductions	**29,381**
Risk-weighted assets:	
Total risk-weighted assets	**234,874**
Market risk capital	30
Capital adequacy ratio	**12.51%**
Core capital adequacy ratio	**9.84%**

As of December 31, 2012, our capital adequacy ratio calculated under the Capital Adequacy Measures was 12.51%, and our core capital adequacy ratio calculated under the Capital Adequacy Measures was 9.84%. The ratios as of December 31, 2012 were in compliance with the CBRC requirements.

The following table sets forth certain information relating to our capital adequacy ratios as of December 31, 2013 and 2014 and September 30, 2015 calculated under the Capital Administrative Measures effective as of January 1, 2013:

	As of December 31, 2013	As of December 31, 2014	As of September 30, 2015
	(In millions of RMB, except percentages)		
Core capital:			
Share capital	11,507	11,507	14,510
Qualifying portion of capital reserves	6,409	6,768	12,571
Surplus reserves and general risk reserves	4,916	6,200	10,311
Qualifying portion of retained earnings	5,320	8,979	11,081
Qualifying portion of non-controlling interests	—	—	—
Core tier-one capital deductible items:			
Fully deductible items	110	129	169
Net total core tier-one capital	**28,042**	**33,325**	**48,303**
Other tier-one capital	—	—	—
Net tier-two capital	**7,228**	**7,668**	**8,388**
Net capital base	**35,270**	**40,993**	**56,692**
Total risk-weighted assets	**305,891**	**386,786**	**510,507**
Core tier-one capital adequacy ratio	**9.17%**	**8.62%**	**9.46%**
Tier-one capital adequacy ratio	**9.17%**	**8.62%**	**9.46%**
Capital adequacy ratio	**11.53%**	**10.60%**	**11.11%**

As of December 31, 2013, based on the calculation under the Capital Administrative Measures, our core tier-one capital adequacy ratio was 9.17%, our tier-one capital adequacy ratio was 9.17%, and our capital adequacy ratio was 11.53%, which were in compliance with the CBRC requirements.

As of December 31, 2014, based on the calculation under the Capital Administrative Measures, our core tier-one capital adequacy ratio was 8.62%, our tier-one capital adequacy ratio was 8.62%, and our capital adequacy ratio was 10.60%, which were in compliance with the CBRC requirements.

As of September 30, 2015, based on the calculation under the Capital Administrative Measures, our core tier-one capital adequacy ratio was 9.46%, our tier-one capital adequacy ratio was 9.46%, and our capital adequacy ratio was 11.11%, which were in compliance with the CBRC requirements.

We plan to comply with the Capital Administrative Measures by: (i) continuously supplementing the core capital through accumulation of retained earnings; (ii) strengthening the routine monitoring of the measurement and calculation of capital adequacy ratios, and strictly controlling the growth rate of risk-weighted assets; and (iii) developing a sustainable capital replenishment mechanism to address capital constraint risks.

CREDIT COMMITMENTS AND OTHER OFF-BALANCE SHEET ITEMS

Our credit commitments and other off-balance sheet items primarily consist of acceptances, letters of credit issued, letters of guarantee issued, loan commitments and unused credit card limit. The following table sets forth the contractual amounts of our credit commitments and other off-balance sheet items as of the dates indicated:

	As of December 31,			As of September 30,
	2012	2013	2014	2015
	(In millions of RMB)			
Acceptances	48,048	49,350	76,791	115,857
Letters of credit issued	12,901	17,833	37,896	80,107
Letters of guarantee issued	10,141	14,078	31,078	41,933
Loan commitments	3,438	3,052	125	5,072
Unused credit card limit	—	—	—	1,882
Total	**74,528**	**84,315**	**145,889**	**244,850**

Our credit commitments and other off-balance sheet items increased by 13.1% from RMB74,528 million as of December 31, 2012 to RMB84,315 million as of December 31, 2013, by 73.0% to RMB145,889 million as of December 31, 2014, and by 67.8% to RMB244,850 million as of September 30, 2015. Our credit commitments and other off-balance sheet items increased from 2012 to 2013 mainly because we developed letters of guarantee and international letters of credit businesses according to our customers' demands. Our credit commitments and other off-balance sheet items increased from 2013 to September 30, 2015, mainly because we optimized the mix of our on- and off-balance sheet businesses and proactively developed the domestic letters of credit, letters of guarantee and acceptances, etc.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table sets forth the amount of our known contractual obligations by remaining contract maturity classified into the categories specified below as of the date indicated:

	As of September 30, 2015			
	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
	(In millions of RMB)			
On-balance sheet				
Debt securities issued	85,398	6,800	3,250	95,448
Off-balance sheet				
Operating lease commitment	348	1,086	402	1,836
Capital commitment	347	—	—	347
Total	**86,092**	**7,886**	**3,652**	**97,630**

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into transactions with certain related parties, such as taking deposits from, extending credit facilities and providing other banking services to, the relevant related parties. These transactions were conducted on normal commercial terms and in the ordinary course of our business. Our Directors believe that these related party transactions were carried out on an arm's length basis and would not distort our results of operations during the Track Record Period or make such results not reflective of our future performance. See Note 36 to Section II of "Appendix I—Accountant's Report."

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISK

Market risk refers to the adverse effect that normal or specific changes in interest rates, foreign exchange rates, commodity prices or stock prices may have on products involving interest rates, currencies and stocks. The market risk which we are exposed to includes the risk that the fair values of financial instruments or future cash flows held by us may fluctuate as a result of price volatility. We are exposed to market risk primarily through the assets and liabilities on our balance sheet, as well as our off-balance sheet commitments and guarantees. The market risks to which we are primarily exposed are interest rate risk and exchange rate risk. We have imposed a set of exposure limits on our investment and trading activities in an effort to manage potential market losses within acceptable limits.

Interest Rate Risk

Our interest rate risk primarily refers to the risk that our net interest income and the fair value of our financial instruments may decrease due to adverse changes that may occur with respect to market interest rates. Such changes could also result in a decrease in the fair value of our interest rate risk exposure. We primarily use sensitivity analysis to assess our exposure to interest rate risk. We manage our interest rate risk principally by adjusting the maturity profile of our assets and liabilities based on our assessment of potential changes in the interest rate environment.

Sensitivity Analysis

We use sensitivity analysis to measure the potential effect of changes in interest rates on our net profit. The following table sets forth our interest rate sensitivity analysis based on our assets and liabilities at the same date as of the dates indicated:

	As of December 31,			As of September 30,
	2012	2013	2014	2015
	(In millions of RMB)			
Change in interest rate				
+ 100 basis points	31	33	(124)	(412)
- 100 basis points	(31)	(33)	124	412

Based on our assets and liabilities as of September 30, 2015, if interest rates increase (or decrease) by 100 basis points, our net profit for the year following September 30, 2015 would decrease (or increase) by RMB412 million.

This sensitivity analysis, which is based on a static interest rate risk profile of assets and liabilities, is used for risk management purposes only. The relevant analysis measures only the changes in the interest rates within a year, as reflected by the re-pricing of our assets and liabilities within a year, on our annualized interest income. The analysis is based on the following assumptions: (i) the analysis is based on the static gap at each financial reporting date, regardless of subsequent changes; (ii) fluctuations in the interest rates of different interest-earning assets and interest-bearing liabilities are the same; (iii) all assets and liabilities are re-priced in the middle of the respective periods; (iv) impacts on customers' behaviors, market price and off-balance sheet products due to interest rate changes are not considered; and (v) actions that we take in response to interest rate changes are not considered. Actual changes in our net profit resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

Re-pricing Gap Analysis

The following table sets forth the results of our gap analysis based on the earlier of (i) the next expected re-pricing dates; and (ii) the final maturity dates for our financial assets and liabilities as of the date indicated:

	As of September 30, 2015					
	Within 3 months	3 months up to 12 months	1 year up to 5 years	Over 5 years	Non-interest bearing	Total
	(In millions of RMB)					
Assets						
Cash and balances with central bank	84,157	—	—	—	248	84,405
Due from banks and other financial institutions	78,876	30,777	1,158	—	—	110,811
Financial assets at fair value through profit or loss	—	961	6,301	1,438	—	8,699
Derivative financial assets	—	—	—	—	298	298
Loans and advances to customers	137,226	165,524	24,430	2,546	—	329,726
Financial investments						
Available-for-sale	1,185	6,052	24,356	10,031	25	41,649
Held-to-maturity	4,300	812	14,476	7,849	—	27,437
Debt instruments classified as receivables	72,568	228,805	82,779	3,640	3,060	390,853
Other financial assets	0	—	25	—	4,725	4,750
Total assets	**378,312**	**432,931**	**153,525**	**25,505**	**8,356**	**998,629**
Liabilities						
Due to banks and other financial institutions	(186,462)	(156,448)	(1,000)	—	(830)	(344,740)
Financial liabilities at fair value through profit or loss	—	(500)	—	—	—	(500)
Derivative financial liabilities	—	—	—	—	(381)	(381)
Customer deposits	(247,834)	(135,841)	(111,878)	(2,497)	(2,295)	(500,345)
Debt securities issued	(45,513)	(39,885)	(6,800)	(3,250)	—	(95,448)
Other financial liabilities	—	—	—	—	(10,791)	(10,791)
Total liabilities	**(479,809)**	**(332,675)**	**(119,678)**	**(5,747)**	**(14,297)**	**(952,205)**
Re-pricing gap	**(101,497)**	**100,256**	**33,847**	**19,758**	**(5,941)**	**46,424**

Foreign Exchange Risk

Our foreign exchange risk primarily arises from foreign currency loans and foreign currency deposits. We manage our foreign exchange risk mainly through (i) setting limits on foreign exchange transactions; (ii) assessing foreign exchange risk quarterly; and (iii) engaging in spot transactions of foreign currencies that match the financial assets and liabilities, managing foreign exchange assets and liabilities portfolio, thereby managing the foreign exchange risk. The following table sets forth our financial assets and liabilities by currency as of the date indicated:

	As of September 30, 2015				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
	(In millions of RMB)				
Assets					
Cash and balances with central bank	83,793	607	2	3	84,405
Due from banks and other financial institutions	108,282	2,445	11	73	110,811
Financial assets at fair value through profit or loss	8,699	—	—	—	8,699
Derivative financial assets	298	—	—	—	298
Loans and advances to customers	316,719	12,316	—	692	329,726
Financial investments					
Available-for-sale	41,649	—	—	—	41,649
Held-to-maturity	27,437	—	—	—	27,437
Debt instruments classified as receivables	387,737	2,403	—	713	390,853
Other financial assets	4,661	82	—	7	4,750
Total assets	**979,275**	**17,852**	**13**	**1,488**	**998,629**
Liabilities					
Due to banks and other financial institutions	(332,890)	(7,101)	—	(4,749)	(344,740)
Financial liabilities at fair value through profit or loss	(500)	—	—	—	(500)
Derivative financial liabilities	(381)	—	—	—	(381)
Customer deposits	(485,500)	(14,468)	(4)	(373)	(500,345)
Debt securities issued	(95,448)	—	—	—	(95,448)
Other financial liabilities	(10,646)	(128)	(0)	(17)	(10,791)
Total liabilities	**(925,365)**	**(21,697)**	**(4)**	**(5,139)**	**(952,205)**
Net position	**53,910**	**(3,844)**	**9**	**(3,651)**	**46,424**

We use sensitivity analysis to measure the potential effect of changes in foreign exchange rates on our net profit. The following table sets forth, as of the dates indicated, the results of our exchange rate sensitivity analysis based on our assets and liabilities as of the same dates:

	As of December 31,			As of September 30,
	2012	2013	2014	2015
	(In millions of RMB)			
Change in foreign currency exchange rate				
1% of appreciation of USD against RMB	(0.4)	(0.3)	0.3	0.2
1% of depreciation of USD against RMB	0.4	0.3	(0.3)	(0.2)

Certain Information of Financial Assets Designated at Fair Value

The following tables set forth certain information of our financial assets designated at fair value:

From January 1, 2012 to December 31, 2012

	Opening amount	Profit or loss on changes in fair value of the period	Accumulation of changes in fair value including in equity	Impairment counted and drew in the period	Ending amount
	(In millions of RMB)				
Financial assets					
Financial assets at fair value through profit and loss	1,482	(6)	—	—	1,659
Debt instruments classified as receivables	14,251	—	—	—	10,435
Available-for-sale financial assets	7,835	—	(1)	—	6,121
Held-to-maturity investments	6,099	—	—	—	13,594
Total	**29,668**	**(6)**	**(1)**	**—**	**31,810**

From January 1, 2013 to December 31, 2013

	Opening amount	Profit or loss on changes in fair value of the period	Accumulation of changes in fair value including in equity	Impairment counted and drew in the period	Ending amount
	(In millions of RMB)				
Financial assets					
Financial assets at fair value through profit and loss	1,659	(19)	—	—	2,177
Debt instruments classified as receivables	10,435	—	—	—	19,559
Available-for-sale financial assets	6,121	—	(123)	—	6,997
Held-to-maturity investments	13,594	—	—	—	18,015
Total	**31,810**	**(19)**	**(123)**	**—**	**46,748**

From January 1, 2014 to December 31, 2014

	Opening amount	Profit or loss on changes in fair value of the period	Accumulation of changes in fair value including in equity	Impairment counted and drew in the period	Ending amount
	(In millions of RMB)				
Financial assets					
Financial assets at fair value through profit and loss	2,177	53	—	—	4,191
Debt instruments classified as receivables	19,559	—	—	—	189,704
Available-for-sale financial assets	6,997	—	328	—	28,068
Held-to-maturity investments	18,015	—	—	—	18,693
Total	**46,748**	**53**	**328**	**—**	**240,657**

From January 1, 2015 to September 30, 2015

	Opening amount	Profit or loss on changes in fair value of the period	Accumulation of changes in fair value including in equity	Impairment counted and drew in the period	Ending amount
			(In millions of RMB)		
Financial assets					
Financial assets at fair value through profit and loss	4,191	38	—	—	8,699
Debt instruments classified as receivables	189,704	—	—	—	390,853
Available-for-sale financial assets	28,068	—	239	—	41,649
Held-to-maturity investments	18,693	—	—	—	27,437
Total	**240,657**	**38**	**239**	**—**	**468,639**

CAPITAL EXPENDITURES

Our capital expenditures in 2012, 2013 and 2014 and in the nine months ended September 30, 2015 were primarily incurred for purchases of equipment and information management systems and for the acquisition, construction and renovation of the offices at our headquarters, branches and sub-branches. For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, our capital expenditures were RMB421 million, RMB373 million, RMB654 million and RMB200 million, respectively.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. We applied these estimates and assumptions consistently during the Track Record Period, and we currently do not expect any material change to these estimates or assumptions in the near future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment Allowances for Loans and Advances to Customers

We review regularly our loan portfolios to assess impairment loss, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, we make judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in that portfolio (e.g. payment default), or national or local economic conditions that correlate with defaults on the portfolio of loans. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances are collectively assessed for impairment, our management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred.

Fair Value of Financial Instruments

We use valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar financial instruments, discounted cash flow analysis and option pricing models. To the extent practicable, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, should be used to the maximum extent when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Bank and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Held-to-Maturity Investments

We classify non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that our management positively intends and is able to hold to maturity as held-to-maturity investments. In assessing our management's intention and ability to hold such investments to maturity. Our management primarily considers the business purpose for acquiring a security, as well as our liquidity needs. This is a significant judgment because if we fail to hold these investments to maturity, except under certain specific and limited circumstances (e.g., sale of an insignificant amount close to maturity), we will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets and be precluded from classifying investments as held-to-maturity investments for two years.

Income Taxes

We are subject to income taxes, and significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. We recognize liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. In practice, taxation matters are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

Allowances for impairment losses on non-financial assets

At the end of each reporting period, we review the carrying amounts of our tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

The Impact of Future Accounting Policy Changes

We currently assess the impairment of our loans and investment assets under IAS 39. The IASB, which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments from time to time, which will replace the accounting standards relating to classification, measurement and derecognition of financial assets and financial liabilities under IAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. These standards will take effect on January 1, 2018.

The major differences between IFRS 9 and IAS 39 are the measurement categories and the approach for classifying financial assets. The classification of financial assets under IFRS 9 will require us to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Further, for financial assets that will be classified as "amortized cost" or "fair value through other comprehensive income" under IFRS 9, we will be required to apply a new expected credit loss impairment model under IFRS 9, which, as compared to the incurred loss model in IAS 39, uses more forward-looking information instead of on an objective evidence of impairment as a precondition for recognizing credit losses. In particular, calculation of impairment of financial instruments on an expected credit loss basis may result in an increase in impairment allowance. For details on the differences between IFRS 9 and IAS 39, see Note 2.1 to our historical financial information set forth in "Appendix I—Accountant's Report."

We are assessing the potential impact on our financial statements resulting from the application of IFRS 9, including assessing the need for any system modification related to expected credit loss model, updating financial instruments impairment policies and launching relevant staff training. We have not completed our assessment of the full impact of adopting IFRS 9 and therefore its possible impacts on our operating results and financial position have not been quantified. We may change our current provisioning practice in the future in accordance with IFRS 9 and its amendments and any other future amendments to IAS 39 or similar standards, including any authoritative interpretive guidance on the application of such new or revised standards, which may in turn negatively affect our financial condition and results of operations. For details, see "Risk Factors—Risks Relating to the PRC Banking Industry—IFRS 9 and its amendments may require us to change our provisioning practice for impairment of financial assets."

Set forth below are the timetables of our system development, internal control policies updates and training programs formulated in order to comply with the requirements of IFRS 9.

The system related to the expected credit loss model

We expect to develop a new system program related to the expected credit loss model in the first half year of 2016, and begin to analyze the expected credit loss model at the same time. We plan to finish the new system related to the expected credit loss model in the fourth quarter of 2017.

Expected credit loss model

We expect to update our internal controls and policies related to measurement of fair value and impairment of financial instruments in the second quarter of 2017.

Training programs

We have arranged training for our staff. Staff from the risk management, finance & accounting and other related departments are required to attend trainings. Staff at our headquarters will attend on-site trainings, while branch staff will participate in remote video trainings. The following table sets forth the expected timetable for these training programs:

Time period	Training programs
From the fourth quarter of 2015 to the first quarter of 2016 (completed)	Preliminary theoretical trainings on IFRS 9; understanding of data governance related to expected credit loss model; understanding of construction on information system and comprehensive risk management system;
From the second quarter to the third quarter of 2016	Launch theoretical trainings on IFRS 9 (hedging, classification of financial assets/liabilities and expected credit loss model);
In the third quarter of 2017	Launch trainings on the new policies related to measurement of fair value and impairment of financial instruments;
From the second quarter to the fourth quarter of 2017	Launch trainings on application of new system related to the expected credit loss model and related accounting treatment.

For other new accounting standards that come into effect after the prospectus date, see Note 2.1 to our historical financial information set forth in "Appendix I—Accountant's Report". We may put in place necessary changes to comply with the new standards from time to time.

INDEBTEDNESS

As of January 31, 2016 (being the date for the purpose of this indebtedness statement), we had the following indebtedness:

- Subordinated bonds with a balance of RMB3,250 million, with a fixed annual interest rate of 6.5% and a maturity date of November 28, 2021. We have the option to redeem all of the subordinated bonds at par value on November 28, 2016.
- Financial bonds with a balance of RMB11,000 million, including (i) fixed rate financial bonds with a balance of RMB1,500 million, with a maturity date of September 12, 2018 and an annual interest rate of 5.0%; (ii) fixed rate financial bonds with a balance of RMB4,500 million, with a maturity date of March 11, 2019 and an annual interest rate of 5.7%; and (iii) fixed rate financial bonds with a balance of RMB5,000 million, with a maturity date of December 25, 2020 and an annual interest rate of 3.88%.
- Interbank certificates of deposits with a balance of RMB74,501 million;
- Deposits and balances from customers and other banks and balances under repurchase agreements that arose from the normal course of our banking business; and
- Transaction-related contingencies, trade-related contingencies and other commitments that arose from the normal course of our banking business.

Except as disclosed above, as of January 31, 2016, we did not have any material outstanding mortgages, pledges, debentures, or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any guarantees or other material contingent liabilities.

Our Directors have confirmed that, since January 31, 2016 and up to the date of this prospectus, there were no material changes in our indebtedness or contingent liabilities.

RULE 13.13 TO RULE 13.19 OF THE LISTING RULES

We confirm that there are no circumstances which will trigger disclosure requirements under Rule 13.13 to Rule 13.19 of the Listing Rules.

DIVIDEND POLICY

The Board is responsible for submitting proposals in respect of dividend payments to the shareholders' general meeting for approval. The determination of the payment and amount of such dividends is based on our results of operations, cash flows, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions and other factors the Directors deem relevant. According to the PRC Company Law and the Articles of Association of the Bank, all shareholders holding the same class of shares have the equal right to receive dividends and other distributions in proportion to their shareholding. Pursuant to our Articles of Association, we can only pay dividends out of our distributable profit. Our distributable profit represents the lower of the net profit after tax determined under the PRC GAAP or IFRS or accounting standards of the place for overseas listing, less:

- our accumulated losses in previous years;
- appropriations we are required to make to the statutory surplus reserve, which is currently 10% of our net profit, as determined under the PRC GAAP, to fund a statutory surplus reserve until such reserve reaches about 50% of our registered capital;
- a statutory general reserve we are required to set aside; and
- appropriations to a discretionary surplus reserve set aside as approved by shareholders on the general meeting.

Pursuant to relevant regulations issued by the MOF, before a financial institution makes any profit distribution, its balance of statutory general reserve shall in principle not be lower than 1.5% of the balance of risk assets at the end of the period. As of September 30, 2015, the balance of our statutory general reserve was RMB8,241 million.

Any distributable profit that has not been distributed in a given year is retained and is available for distribution in subsequent years. However, we generally do not distribute dividends in a year in which there is no distributable profit. Any dividend payment by us must be approved at a shareholder's general meeting. We shall not distribute profits to shareholders before making up losses and making appropriations to our statutory surplus reserve and statutory general reserve. If we distribute profits to shareholders in violation of relevant regulations, the shareholders must return the profits distributed by us.

The CBRC has the discretionary authority to prohibit any bank that fails to meet the relevant capital adequacy ratio requirements or has violated other relevant PRC banking regulations from paying dividends or making other forms of distributions. As of September 30, 2015, we had a capital adequacy ratio of 11.11% and a core tier-one capital adequacy ratio of 9.46%.

We declared cash dividends of RMB2,001 million and RMB2,800 million for the financial years ended December 31, 2011 and 2012 in May 2012 and June 2013, respectively. We did not declare dividends for the financial years ended December 31, 2013 and 2014. Dividends paid in prior periods may not be indicative of future dividend payments. We currently do not have any dividend policy as to the expected dividend payout ratio and we cannot guarantee if or when dividends will be paid in the future.

Pursuant to the approval of our shareholders general meetings, our existing and new shareholders shall be entitled to the accumulated retained earnings prior to the Global Offering. At the same time, pursuant to the PRC Company Law and our Articles of Association, all shareholders holding the same class of shares have equal right to dividend distributions.

LISTING EXPENSES

We incur listing expenses in connection with the Listing, which include professional fees, underwriting commission and fees. Listing expenses to be borne by our Bank are estimated to be approximately RMB248 million. Listing expenses of approximately RMB6 million had been incurred on or before September 30, 2015. Listing expenses of approximately RMB243 million are expected to be incurred after September 30, 2015, of which RMB11 million is expected to be charged to our statement of comprehensive income and RMB231 million is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses to have a material adverse impact on our financial results for the year ending December 31, 2016.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Bank is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Bank attributable to the shareholders of the Bank as of September 30, 2015, as if the Global Offering had taken place on September 30, 2015 assuming the Over-allotment Option is not exercised.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Bank as of September 30, 2015 or at any future dates following the Global Offering.

	Net tangible assets attributable to shareholders of the Bank as of September 30, 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets attributable to the shareholders of the Bank	Unaudited pro forma adjusted net tangible assets per share	
	(In millions of RMB) Note(1)	(In millions of RMB) Note(2), (4)	(In millions of RMB)	(RMB) Note(3)	(HK$) Note(4)
Based on Offer Price of HK$3.92 Per share	47,482	9,621	57,103	3.26	3.89
Based on Offer Price of HK$4.12 Per share	47,482	10,114	57,596	3.29	3.92

Notes:

(1) The net tangible assets attributable to shareholders of the Bank as of September 30, 2015 is based on the net assets attributable to shareholders of the Bank of RMB47,615 million less intangible assets of RMB133 million as of September 30, 2015.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.92 (being the minimum offer price) and HK$4.12 per H Share (being the maximum offer price), after deduction of the underwriting fees and other related expenses payable by us (excluding listing expenses of approximately RMB2.6 million which have been incurred as of September 30, 2015), and take no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustments as described in Note (2) above and on the basis of 17,509,696,778 shares in issue assuming that the Global Offering has been completed on September 30, 2015 but takes no account of any shares which may to be issued upon the exercise of the Over-allotment Option.

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of RMB0.8386 to HK$1.00 set by the PBOC prevailing on March 7, 2016. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made on the unaudited pro forma adjusted net tangible assets to reflect any trading result or other transactions of the Bank entered into subsequent to September 30, 2015.

WORKING CAPITAL

Rule 8.21A(1) and Paragraph 36 of Part A of Appendix I of the Hong Kong Listing Rules require this prospectus to include a statement by our Directors that, in their opinion, the working capital available to our Bank is sufficient for at least 12 months from the publication of this prospectus or, if not, how it is proposed to provide the additional working capital our directors consider to be necessary. We are of the view that the conventional concept of "working capital" does not apply to financial institutions such as us. We are regulated in the PRC by, among others, the PBOC and the CBRC. These regulatory authorities impose minimum capital adequacy and liquidity requirements on commercial banks operating in the PRC. Rule 8.21A(2) of the Listing Rules provides that such a working capital statement will not be required to be made by an issuer whose business is entirely or substantially engaged in the provision of financial services, provided that the Hong Kong Stock Exchange is satisfied that the inclusion of such a statement would not provide significant information for investors and the issuer's solvency and capital adequacy are subject to prudential supervision by another regulatory body. In view of the above, pursuant to Rule 8.21A(2) of the Listing Rules, we are not required to include a working capital statement from the Directors in this prospectus.

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

Our business has experienced continued growth since September 30, 2015, the date of our latest audited financial information as set forth in the Accountant's Report in Appendix I to this prospectus. Our Directors have confirmed that, since September 30, 2015 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position.

In December 2015 and February 2016, with the approvals from the PBOC and the CBRC, we issued financial bonds in the aggregate principal amount of RMB5.0 billion and RMB10.0 billion in the inter-bank bond market, respectively. The RMB5.0 billion financial bonds have a term of five years and bear interest on an annual basis with a fixed annual interest rate of 3.88%. The RMB10.0 billion financial bonds have a term of five years and bear interest on an annual basis with a fixed annual interest rate of 3.60%. Both bonds cannot be redeemed before maturity.

The unaudited financial data as of and for the year ended December 31, 2015 have been agreed with the reporting accountant following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants. Our unaudited preliminary financial information for the year ended December 31, 2015 is set out in Appendix IV to this prospectus and is subject to change. Our net interest income for the year ended December 31, 2015 was RMB20,586 million, representing an increase of 41.6% compared to RMB14,535 million for the year ended December 31, 2014. Our net profit for the year ended December 31, 2015 was RMB7,051 million, representing an increase of 38.4% compared to RMB5,096 million for the year ended December 31, 2014.

In addition, our total loans and advances to customers (before allowance for impairment losses) and net financial investments as of December 31, 2015 were RMB345,423 million and RMB510,053 million, respectively, and were higher than the corresponding financial data as of December 31, 2014. As of December 31, 2015, our total assets were RMB1,031,650 million, representing an increase of 54.0% from RMB669,957 million as of December 31, 2014.

You should read the discussion above in conjunction with our unaudited preliminary financial information for the year ended December 31, 2015 and the accompanying notes in Appendix IV, as well as "Appendix IV—Unaudited Preliminary Financial Information of the Bank for the Year ended December 31, 2015—Management's Discussion and Analysis of Financial Condition and Operation Results."

FUTURE PLANS

See "Business — Our Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and an Offer Price of HK$4.02 per Offer Share (being the mid-point of the range of the Offer Price as stated in this prospectus), we estimate that we will receive net proceeds of approximately HK$11,767 million from the Global Offering after deducting the underwriting expenses, commissions and other estimated expenses in connection with the Global Offering. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders pursuant to the Global Offering.

Assuming the Over-allotment Option is not exercised, (i) the net proceeds will increase by approximately HK$294 million if the Offer Price is fixed at HK$4.12 per Offer Share (being the high end of the range of the Offer Price as stated in this prospectus); and (ii) the net proceeds will decrease by approximately HK$294 million if the Offer Price is fixed at HK$3.92 per Offer Share (being the low end of the range of the Offer Price as stated in this prospectus).

If the Over-allotment Option is exercised in full, the net proceeds will be approximately HK$13,540 million, assuming an Offer Price of HK$4.02 per Offer Share (being the mid-point of the range of the Offer Price as stated in this prospectus).

Assuming the Over-allotment Option is exercised in full, (i) the net proceeds will increase by approximately HK$338 million if the Offer Price is fixed at HK$4.12 per Offer Share (being the high end of the range of the Offer Price as stated in this prospectus); and (ii) the net proceeds will decrease by approximately HK$338 million if the Offer Price is fixed at HK$3.92 per Offer Share (being the low end of the range of the Offer Price as stated in this prospectus).

We estimate that the net proceeds from the sale of Sale Shares by the Selling Shareholders pursuant to the Global Offering (after deduction of estimated expenses payable by the Selling Shareholders in relation to the Global Offering), to be:

- approximately HK$1,176 million, if the Over-allotment Option is not exercised, or approximately HK$1,352 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$3.92, being the low-end of the proposed Offer Price range;
- approximately HK$1,206 million, if the Over-allotment Option is not exercised, or approximately HK$1,387 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$4.02, being the mid-point of the proposed Offer Price range; and
- approximately HK$1,236 million, if the Over-allotment Option is not exercised, or approximately HK$1,421 million, if the Over-allotment Option is exercised in full, assuming an Offer Price of HK$4.12, being the high-end of the proposed Offer Price range.

In each of the circumstances mentioned above, we intend to use the net proceeds from the Global Offering attributable to us (after deducting the underwriting expenses, commissions and other estimated expenses in connection with the Global Offering) to strengthen our capital base to support the sustainable and healthy development of our business.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the "**Cornerstone Investment Agreements**") with the following investors (the "**Cornerstone Investors**," each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors in aggregate have agreed to purchase at the Offer Price (1) 1,650,000,000 Offer Shares and (2) such number of Offer Shares as may be purchased with US$130 million (approximately HK$1,009.41 million) (rounded down to the nearest whole board lot) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$3.92 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 1,907,502,000, representing approximately (i) 57.80% of the total Offer Shares and 10.89% of the shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 50.26% of the total Offer Shares and 10.62% of the shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$4.02 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 1,901,096,000, representing approximately (i) 57.61% of the total Offer Shares and 10.86% of the shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 50.09% of the total Offer Shares and 10.59% of the shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$4.12 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 1,895,002,000, representing approximately (i) 57.42% of the total Offer Shares and 10.82% of the shares in issue upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option; or (ii) 49.93% of the total Offer Shares and 10.55% of the shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

The maximum number of H Shares to be subscribed for by the Cornerstone Investors will not exceed 57.80% of the total Offer Shares and 10.89% of the total issued share capital of the Bank upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option. Each Cornerstone Investor will not subscribe for such number of H Shares which will exceed 10% of the total issued share capital of the Bank upon the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

To the best knowledge of our Bank, each of the Cornerstone Investors is an independent third party, independent of each other, not our connected person, and not an existing shareholder or close associate of the Bank. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Bank on or around March 29, 2016.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Bank. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective Cornerstone Investment Agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our

Bank, nor will any of the Cornerstone Investors become a substantial shareholder of our Bank. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering—The Hong Kong Public Offering."

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the relevant Cornerstone Investors in connection with the Cornerstone Placing:

Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.

Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. ("**Zhejiang Seaport Group**") has agreed to subscribe for 1,000,000,000 Offer Shares at the Offer Price representing approximately (i) 30.30% of the total Offer Shares and 5.71% of the enlarged issued share capital of the Bank on the Listing Date, assuming no exercise of the Over-allotment Option; or, (ii) 26.35% of the total Offer Shares and 5.57% of the shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

Assuming the Offer Price is HK$3.92, being the low-end of the Offer Price range shown in this prospectus, the aggregate subscription amount for Zhejiang Seaport Group is HK$3,920 million. Assuming the Offer Price is HK$4.02, being the mid-point of the Offer Price range shown in this prospectus, the aggregate subscription amount for Zhejiang Seaport Group is HK$4,020 million. Assuming the Offer Price is HK$4.12, being the high-end of the Offer Price range shown in this prospectus, the aggregate subscription amount for Zhejiang Seaport Group is HK$4,120 million.

Zhejiang Seaport Group is a state-owned company incorporated in the PRC, the business of which includes development and utilization of marine resources, marine industry investment, sea- and port-related resource management and capital operation, investment, construction and operation of ports, shipping services, reserve, trading and processing of bulk commodities (excluding hazardous chemicals), marine construction, port engineering design and supervision.

Yancoal International (Holding) Company Limited

Yancoal International (Holding) Company Limited ("**Yancoal International**") has agreed to subscribe for 400,000,000 Offer Shares at the Offer Price representing approximately (i) 12.12% of the total Offer Shares and 2.28% of the enlarged issued share capital of the Bank on the Listing Date, assuming no exercise of the Over-allotment Option; or, (ii) 10.54% of the total Offer Shares and 2.23% of the shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

Assuming the Offer Price is HK$3.92, being the low-end of the Offer Price range shown in this prospectus, the aggregate subscription amount for Yancoal International is HK$1,568 million. Assuming the Offer Price is HK$4.02, being the mid-point of the Offer Price range shown in this prospectus, the aggregate subscription amount for Yancoal International is HK$1,608 million. Assuming the Offer Price is HK$4.12, being the high-end of the Offer Price range shown in this prospectus, the aggregate subscription amount for Yancoal International is HK$1,648 million.

Yancoal International is a wholly-owned Hong Kong subsidiary of Yanzhou Coal Mining Company Limited ("**Yanzhou Coal Mining**") with project management, mining and sales of coal as its principal business. Yanzhou Coal Mining is a company listed on the New York Stock Exchange (Stock Code: YZC), the Hong Kong Stock Exchange (Stock Code: 1171) and the Shanghai Stock Exchange (Stock Code: 600188), and its principal business includes mining, washing and processing and sales of coal, coal chemicals, manufacturing of machinery and electrical equipment and power and heat generation. Yanzhou Coal Mining's ultimate controlling shareholder is Yankuang Group Company Limited, the principal business of which is coal production and sales, coal chemicals, coal-electrolytic aluminum, manufacturing of whole set of machinery and electrical equipment and finance investment, etc.

Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership)

Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership) ("**Lingyan Fund**") has agreed to subscribe for 250,000,000 Offer Shares at the Offer Price representing approximately (i) 7.58% of the total Offer Shares and 1.43% of the enlarged issued share capital of the Bank on the Listing Date, assuming no exercise of the Over-allotment Option; or, (ii) 6.59% of the total Offer Shares and 1.39% of the shares in issue upon the completion of the Global Offering, assuming full exercise of the Over-allotment Option.

Assuming the Offer Price is HK$3.92, being the low-end of the Offer Price range shown in this prospectus, the aggregate subscription amount for Lingyan Fund is HK$980 million. Assuming the Offer Price is HK$4.02, being the mid-point of the Offer Price range shown in this prospectus, the aggregate subscription amount for Lingyan Fund is HK$1,005 million. Assuming the Offer Price is HK$4.12, being the high-end of the Offer Price range shown in this prospectus, the aggregate subscription amount for Lingyan Fund is HK$1,030 million.

Lingyan Fund is a limited partnership incorporated in the PRC, its managing partner is Zhejiang Lingyan Capital Management Co., Ltd. and its principal business is equity investment. The investors of Lingyan Fund mainly include Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd., Hangzhou Hangfeng Holding Co., Ltd., Medium, Micro and Small Enterprises Investment Group Co., Ltd. and Shaoxin Binhai Concrete Co., Ltd.

Shenwan Hongyuan Group Co., Ltd.

Shenwan Hongyuan Group Co., Ltd. ("**Shenwan Hongyuan**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$100 million at the Offer Price.

Assuming the Offer Price is HK$3.92, being the low-end of the Offer Price range shown in this prospectus, Shenwan Hongyuan will subscribe for an aggregate amount of 198,079,000 Offer Shares, representing approximately 6.00% of the total Offer Shares and 1.13% of the shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option. Assuming the Offer Price is HK$4.02, being the mid-point of the Offer Price range shown in this prospectus, Shenwan Hongyuan will subscribe for an aggregate amount of 193,151,000 Offer Shares, representing approximately 5.85% of the total Offer Shares and 1.10% of the shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option. Assuming the Offer Price is HK$4.12, being the high-end of the Offer Price range shown in this prospectus, Shenwan Hongyuan will subscribe for an aggregate amount of 188,463,000 Offer

Shares, representing approximately 5.71% of the total Offer Shares and 1.08% of the shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

Shenwan Hongyuan is a company incorporated in the PRC, the issued shares of which are listed on the Shenzhen Stock Exchange (stock code: 000166). The principal business activities of Shenwan Hongyuan include investment management, industrial investment, equity investment and investment consultation. Shenwan Hongyuan also carries out securities business through its wholly-owned subsidiary, Shenwan Hongyuan Securities Co., Ltd., which was established on January 16, 2015 with a registered capital of RMB33 billion and about 8,000 employees. It has 18 branches and 309 business units (including Shenwan Hongyuan Securities (Western) Co., Ltd.) in the PRC, as well as overseas branches in Hong Kong, Tokyo, Singapore and Seoul, etc.

Alipay (Hong Kong) Investment Limited

Alipay (Hong Kong) Investment Limited ("**Alipay (Hong Kong) Investment**") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot) which may be purchased for an aggregate amount of US$30 million at the Offer Price.

Assuming the Offer Price is HK$3.92, being the low-end of the Offer Price range shown in this prospectus, Alipay (Hong Kong) Investment will subscribe for an aggregate amount of 59,423,000 Offer Shares, representing approximately 1.80% of the total Offer Shares and 0.34% of the shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option. Assuming the Offer Price is HK$4.02, being the mid-point of the Offer Price range shown in this prospectus, Alipay (Hong Kong) Investment will subscribe for an aggregate amount of 57,945,000 Offer Shares, representing approximately 1.76% of the total Offer Shares and 0.33% of the shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option. Assuming the Offer Price is HK$4.12, being the high-end of the Offer Price range shown in this prospectus, Alipay (Hong Kong) Investment will subscribe for an aggregate amount of 56,539,000 Offer Shares, representing approximately 1.71% of the total Offer Shares and 0.32% of the shares in issue immediately after the completion of the Global Offering, assuming no exercise of the Over-allotment Option.

Alipay (Hong Kong) Investment is a limited company incorporated in Hong Kong with investment as its principal business. Alipay (Hong Kong) Investment is indirectly and wholly owned by Zhejiang Ant Small and Micro Financial Services Group Ltd. which focuses on serving small and micro enterprises and ordinary customers, and owns businesses mainly including Alipay, Yuebao, Zhaocaibao, Zhima Credit and Ant Check Later.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

i. the underwriting agreement for the Hong Kong Public Offering and underwriting agreement for the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements;

ii. neither of the aforesaid underwriting agreements having been terminated;

iii. the Listing Committee of the Hong Kong Stock Exchange having granted approval for the listing of, and permission to deal in, the H Shares and that such approval or permission having not been revoked;

iv. no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transaction contemplated in the Hong Kong Public Offering, the International Offering or the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

v. the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor in the respective Cornerstone Investment Agreement are accurate and true in all respects and that there is no material breach of the respective Cornerstone Investment Agreement on the part of the Cornerstone Investor.

Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that, without the prior written consent of our Bank and the relevant underwriter(s), it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months starting from and inclusive of the Listing Date, dispose of (as defined in the relevant Cornerstone Investment Agreement) any of the H Shares or any interest in any company or entity holding any of the relevant H Shares, other than in certain limited circumstances such as transfers to any wholly owned subsidiary of such Cornerstone Investor provided that, among others, such wholly owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, be bound by the Cornerstone Investor's obligations in the respective Cornerstone Investment Agreement, and give the same acknowledgments, representations and warranties thereunder, as if such wholly-owned subsidiary were itself subject to such obligations and restrictions, and shall jointly and severally bear all liabilities and obligations imposed by the respective Cornerstone Investment Agreement.

HONG KONG UNDERWRITERS

CLSA Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
ABCI Securities Company Limited
CMB International Capital Limited
Haitong International Securities Company Limited
Huarong International Securities Limited
BOCI Asia Limited
CCB International Capital Limited
Yue Xiu Securities Company Limited
South China Securities Limited
China Galaxy International Securities (Hong Kong) Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 165,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject, among other conditions, to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued and sold pursuant to the exercise of the Over-allotment Option) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are now being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- there develops, occurs, exists or comes into force:
  - any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United

States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "Relevant Jurisdiction"); or

- any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

- any local, national, regional or international event or series of events in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, outbreak of diseases, epidemics or pandemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9 and such related/mutated forms) in or directly or indirectly affecting any Relevant Jurisdiction; or

- any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

- the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

- any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

- any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority (as defined in the Hong Kong Underwriting Agreement)), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

- any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations, or (B) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

- non-compliance of the prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or
- the issue or requirement to issue by our Bank of a supplement or amendment to the prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the H Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- any litigation or claim being threatened or instigated against our Bank, any Director or any Supervisor; or
- any contravention by our Bank or any Director or Supervisors of the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or any applicable Laws; or
- an Governmental Authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against our Bank, any Director or any Supervisor; or
- any of the chairman or president vacating his office, any Director or any Supervisor being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director or Supervisor in his or her capacity as such or an announcement by any governmental, political, regulatory body that it intends to take any such action which would affect or could reasonably be expected to affect the suitability or eligibility of the Company for listing; or
- any demand by creditors for repayment of indebtedness (other than indebtedness arising from the ordinary course of business of our Bank) or a petition being presented for the winding-up or liquidation of our Bank or our Bank making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of our Bank or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Bank or anything analogous thereto occurs in respect of our Bank;

and which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors: (A) is or will be or is reasonably expected to be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of the Bank as a whole; or (B) has or will have or is reasonably expected to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or will make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make or is reasonably expected to make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the

Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or (D) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- there has come to the notice of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
  - that any statement contained in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) the PHIP and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Bank in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete or inaccurate in any material respect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
  - non-compliance of the prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or
  - any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, not having been disclosed in this Prospectus, constitutes a material omission therefrom; or
  - either (i) there has been a material breach of any of the obligations, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Bank or, where applicable, any Selling Shareholder or (ii) any of the representations or warranties given by our Bank in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is breached, untrue, incomplete, inaccurate or misleading; or
  - any of the Reporting Accountant (as defined in the Hong Kong Underwriting Agreement), or any of the counsel or advisor of our Bank has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
  - any event, act or omission which gives or is likely to give rise to any liability of our Bank pursuant to the indemnities given by our Bank under the Hong Kong Underwriting Agreement; or
  - any material adverse change or prospective material adverse change or development involving a prospective material adverse change in the assets, liabilities, business,

general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position condition (financial or otherwise) or prospects of our Bank; or

- a prohibition on our Bank for whatever reason from allotting or selling the H Shares (including the Shares to be issued pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering,

then the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors may, in their sole and absolute discretion and upon giving notice in writing to the Bank, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by Our Bank

We have undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including the Over-allotment Option) or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by Our Bank

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date, we will not without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities (including securities convertible into share capital) of our Bank, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other equity securities (including securities convertible into share capital) of our Bank, as applicable), or deposit any share capital or other equity securities (including securities convertible into share capital) of our Bank, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or any other securities of our Bank, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Bank, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that our Bank will or may enter into any transaction described above, provided that the foregoing restrictions shall not apply to the issue of H Shares by our Bank pursuant to the Global Offering (including pursuant to the Over-allotment Option). We further agree that in the event of an issue or disposal of any H Shares or any interest therein after the date falling six months from the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange, we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of us will, create a disorderly or false market for any Shares or other securities of us.

Hong Kong Underwriters' Interests in Our Bank

Except as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement and where applicable, the International Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interest in our Bank or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Bank.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares for, or failing which to subscribe for themselves, their respective applicable proportions of the International Offer Shares being offered pursuant to the International Offering which are not taken up under the International Offering.

We and the Selling Shareholders will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, during the 30-day period from the last day for the lodging of applications under the Hong Kong Public Offering, to require us to issue and allot and the Selling Shareholders to sell up to an aggregate of 495,000,000 Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering at the Offer Price, among other things, to cover over-allocations in the International Offering, if any.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares under the Hong Kong Public Offering (excluding such Offer Shares reallocated to and from the Hong Kong Public Offering pursuant to the Hong Kong Underwriting Agreement). In addition, we may, at our sole discretion, pay an aggregate incentive fee of up to 0.5% of the aggregate Offer Price of all the Offer Shares finally included in the Global Offering to certain Underwriters of the Global Offering.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate commissions and fees (including a discretionary incentive fee), together with the listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK$296 million in total (assuming an Offer Price of HK$4.02 per Offer Share, which is the mid-point of our indicative price range for the Global Offering and assuming the Over-allotment Option is not exercised).

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Bank and/or persons and entities with relationships with our Bank and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Bank's loans and other debt.

In relation to the H Shares, those activities could include providing financing to investors for the H Shares in their ordinary course of business, acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchases of the H Shares (where financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their or part of their underlying assets, including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section entitled "Structure of the Global Offering". Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Bank and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of initially 165,000,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section entitled "—The Hong Kong Public Offering" below; and

(ii) the International Offering of initially 3,135,000,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to persons who are "qualified institutional buyers," or QIBs, in reliance on Rule 144A or another exemption from the registration requirements under the Securities Act of the United States, as amended.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 18.85% of the enlarged issued share capital of our Bank immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 21.13% of the enlarged issued share capital of our Bank immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section entitled "—Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section entitled "—The Hong Kong Public Offering—Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

Our Bank is initially offering 165,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 5% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 0.94% of our Bank's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section entitled "—Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 82,500,000 Hong Kong Offer Shares for pool A and 82,500,000 Hong Kong Offer Shares for pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools and may only apply for Hong Kong Offer Shares in either pool A or pool B. In addition, multiple or suspected multiple applications and any application for more than 82,500,000 Offer Shares, being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall be 5% of the Global Offering, in the event of over-subscription under the Hong Kong Public Offering, the Joint Global Coordinators shall apply a clawback mechanism following the closing of application lists on the following basis:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then no Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of Offer

Shares available under the Hong Kong Public Offering will be 165,000,000 Offer Shares, representing 5% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 247,500,000 Offer Shares, representing 7.5% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 330,000,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 660,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (and any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$4.12 per Offer Share in addition to any brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section entitled "—Pricing of the Global Offering" below, is less than the maximum price of HK$4.12 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 3,135,000,000 Offer Shares, representing 95% of the Offer Shares under the Global Offering and approximately 17.90% of our enlarged issued share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Bank and our shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Bank and the Selling Shareholders are expected to grant an Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for lodging of applications under the Hong Kong Public Offering, to require our Bank to issue and allot and the Selling Shareholders to offer and sell up to an aggregate of 495,000,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.76% of our Bank's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

THE SELLING SHAREHOLDERS

The Selling Shareholders are initially offering a total of 300,000,000 Sale Shares as part of the Global Offering. The Selling Shareholders may sell up to an aggregate of 345,000,000 Sale Shares if the Over-allotment Option is exercised in full.

Pursuant to a letter issued by the NSSF (Shebaojijinfa [2015] No. 205) on December 22, 2015, the NSSF instructed us to (i) arrange for the sale of the Sale Shares, which shall equal to 10% of the number of the Offer Shares to be offered by our Bank, and (ii) remit the proceeds from the sale of the Sale Shares (after deducting the SFC transaction levy and Hong Kong Stock Exchange trading fee) to an account designated by the NSSF.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of H Shares that may be over-allocated will not exceed the number of H Shares that may be sold under the Over-allotment Option, namely, 495,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price;

(c) purchasing or subscribing, or agreeing to purchase or subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling or agreeing to sell the H Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;

(b) there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;

(c) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;

(d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period, which will begin on the Listing Date and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(e) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and

(f) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Our Bank will procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 495,000,000 Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Monday, March 21, 2016, and in any event on or before Tuesday, March 29, 2016, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Bank (for ourselves and on behalf of the Selling Shareholders) and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$4.12 per Offer Share and is expected to be not less than HK$3.92 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors under the International Offering during the book-building process, and with the consent of our Bank, reduce the number of Offer Shares being offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Bank will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the website of the Bank at **www.czbank.com** notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Bank (for ourselves and on behalf of the Selling Shareholders), will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. **Applicants under the Hong Kong Public Offering should note that in no circumstances can applications be withdrawn once submitted, even if the number of Offer Shares being offered under the Global Offering and/or the Offer Price range is so reduced.** In the absence of any such notice so published, the Offer Price, if agreed upon with our Bank and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Bank (after deduction of underwriting fees and other estimated expenses in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$12,061 million, assuming an Offer Price per Offer Share of HK$4.12, or approximately HK$11,473 million, assuming an Offer Price per Offer Share of HK$3.92 (or if the Over-allotment Option is exercised in full, approximately HK$13,878 million, assuming an Offer Price per Offer Share of HK$4.12, or approximately HK$13,202 million, assuming an Offer Price per Offer Share of HK$3.92).

The Offer Price for Shares under the Global Offering is expected to be announced on Tuesday, March 29, 2016.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, March 29, 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Bank at **www.czbank.com**.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date.

We expect our Bank and the International Underwriters to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting".

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Bank complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, March 30, 2016, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, March 30, 2016. Our H Shares will be traded in board lots of 1,000 H Shares each. The stock code of our Bank is 2016.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among others:

(a) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares, including the Offer Shares being offered and sold pursuant to the Global Offering, and additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(b) the Offer Price having been fixed on or around the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Bank and the Joint Global Coordinators (on behalf of the Underwriters) on or before Tuesday, March 29, 2016, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Bank in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance.

Share certificates for the Offer Shares are expected to be issued on Tuesday, March 29, 2016 but will only become valid certificates of title at 8:00 a.m. on Wednesday, March 30, 2016 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting—Hong Kong Public Offering—Grounds for Termination" has not been exercised. Investors who trade Offer Shares prior to the receipt of share certificate or prior to the share certificates becoming valid certificates of title do so entirely at their own risks.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Bank, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of any H Shares in our Bank;
- a Director or chief executive officer of our Bank;

- a connected person (as defined in the Listing Rules) of our Bank or will become a connected person of our Bank immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, March 16, 2016 until 12:00 noon on Monday, March 21, 2016 from:

(1) any of the following addresses of the Hong Kong Underwriters:

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CMB International Capital Limited
Units 1803-4, 18/F, Bank of America Tower
12 Harcourt Road
Central
Hong Kong

Haitong International Securities Company Limited
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Huarong International Securities Limited
28/F, AIA Central
1 Connaught Road Central
Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Yue Xiu Securities Company Limited
24/F Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

South China Securities Limited
28/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
Unit 3501-7 & 3513-14
35/F Cosco Tower
183 Queen's Road Central
Hong Kong

(2) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Sheung Wan Branch	252 Des Voeux Road Central
	North Point (King's Centre) Branch	193-209 King's Road, North Point
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49 Mount Sterling Mall, Mei Foo Sun Chuen
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
New Territories	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch Name	Address
Hong Kong Island	Central District Sub-Branch	G/F., Far East Consortium Building, 125A Des Voeux Road C., Central
	Quarry Bay Sub-Branch	Shops 3 and 4 on G/F., 981A-981F King's Road, Chung Hing Mansion, Quarry Bay
Kowloon	Kwun Tong Sub-Branch	Shop E, Block G & H, G/F, East Sun Industrial Centre, 16 Shing Yip Street, Kwun Tong
New Territories	Tai Po Sub-Branch	Shop No.1, 2, 26 & 27, G/F., Wing Fai Plaza, 29-35 Ting Kok Road, Tai Po

Wing Lung Bank Limited

	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
New Territories	Shatin Plaza Branch	Shop 2, Level 1, Shatin Plaza, 21-27 Shatin Centre Street
	Tsuen Wan Branch	251 Sha Tsui Road
	Yuen Long Branch	37 On Ning Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, March 16, 2016 until 12:00 noon on Monday, March 21, 2016 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of China (Hong Kong) Nominees Limited – Zheshang Bank Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Wednesday, March 16, 2016 – 9:00 a.m. to 5:00 p.m.

Thursday, March 17, 2016 – 9:00 a.m. to 5:00 p.m.

Friday, March 18, 2016 – 9:00 a.m. to 5:00 p.m.

Saturday, March 19, 2016 – 9:00 a.m. to 1:00 p.m.

Monday, March 21, 2016 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, March 21, 2016, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize our Bank and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Bank, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations, and the Articles of Association;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(f) agree that none of our Bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(h) agree to disclose to our Bank, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(o) authorize our Bank to place your name(s) or the name of the HKSCC Nominees, on our Bank's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Bank and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in the section headed "personal collection" to collect share certificate(s) and/or refund check(s);

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Bank and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk.**

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Bank. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, March 16, 2016 until 11:30 a.m. on Monday, March 21, 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, March 21, 2016 or such later time under the "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Bank and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "CHINA ZHESHANG BANK CO., LTD." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Sources of Dong Jiang — Hong Kong Forest" project initiated by Friends of Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Bank, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up or indicate an interest for any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Bank, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Bank to place HKSCC Nominees' name on our Bank's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made save as set out in any supplement to this prospectus;
- agree that none of our Bank, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Bank, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Bank agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the our Bank's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the

CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Bank, for ourselves and for the benefit of each shareholder (and so that our Bank will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association; and
- agree with our Bank, for itself and for the benefit of each shareholder of our Bank and each Director, Supervisor, manager and other senior officer of our Bank (and so that our Bank will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of the Bank and each Director, supervisor, manager and other senior officer of our Bank, with each CCASS Participant giving **electronic application instructions**):
  (i) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of our Bank to arbitration in accordance with the Articles of Association;
  (ii) that any award made in such arbitration shall be final and conclusive; and
  (iii) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with our Bank (for ourselves and for the benefit of each shareholder of our Bank) that H Shares are freely transferable by their holders;
- authorize our Bank to enter into a contract on our behalf with each Director, Supervisor and officer of our Bank whereby each such Director, Supervisor and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially

unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, March 16, 2016 – 9:00 a.m. to 8:30 p.m.[1]

Thursday, March 17, 2016 – 8:00 a.m. to 8:30 p.m.[1]

Friday, March 18, 2016 – 8:00 a.m. to 8:30 p.m.[1]

Saturday, March 19, 2016 – 8:00 a.m. to 1:00 p.m.[1]

Monday, March 21, 2016 – 8:00 a.m.[1] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m., Wednesday, March 16, 2016 until 12:00 noon, Monday, March 21, 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, March 21, 2016, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Bank and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Bank, the H Share Registrar the receiving bankers the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Bank, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, March 21, 2016.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by

HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the Board of Directors of that company;
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering—Pricing of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 a.m. on Monday, March 21, 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, March 21, 2016 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, March 29, 2016 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Bank's website at **www.czbank.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Bank's website at **www.czbank.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Tuesday, March 29, 2016;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, March 29, 2016 to 12:00 midnight on Monday, April 4, 2016;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, March 29, 2016 to Friday, April 1, 2016; and
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, March 29, 2016, Wednesday, March 30, 2016, and Thursday, March 31, 2016 at all the receiving bank designated branches and sub-branches.

If we accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Bank or its agents exercise their discretion to reject your application:

Our Bank, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Bank of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offering Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Bank or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$4.12 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, March 29, 2016.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s).

Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on Tuesday, March 29, 2016. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, March 30, 2016 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, March 29, 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, March 29, 2016, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, March 29, 2016, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, March 29, 2016, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- ***If you apply through a designated CCASS participant (other than a CCASS investor participant)***

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- ***If you are applying as a CCASS investor participant***

We will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 29, 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, March 29, 2016, or such other date as notified by our Bank in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, March 29, 2016 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, March 29, 2016, or, on any other date determined by HKSCC or HKSCC Nominees.

- We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Bank will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, March 29, 2016. You should check the announcement published by our Bank and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 29, 2016 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, March 29, 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, March 29, 2016.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

March 16, 2016

The Directors
China Zheshang Bank Co., Ltd.

CITIC CLSA Capital Markets Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
ABCI Capital Limited

Dear Sirs,

We report on the financial information of China Zheshang Bank Co., Ltd (the "Bank"), which comprises the statements of financial position of the Bank as of December 31, 2012, 2013 and 2014 and September 30, 2015, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015 (the "Relevant Periods"), and a summary of principal accounting policies and other explanatory information. This financial information has been prepared by the directors of the Bank and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Bank dated March 16, 2016 (the "Prospectus") in connection with the initial listing of H-shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited.

The Bank is a national joint-stock commercial bank which was established in Zhejiang Province, the People's Republic of China (the "PRC") on July 26, 2004 with the approval from China Banking Regulatory Commission (the "CBRC").

The directors of the Bank have prepared the financial statements of the Bank for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The directors of the Bank are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Board ("IAASB") pursuant to separate terms of engagement with the Bank.

The financial information has been prepared based on the Underlying Financial Statements, and no adjustments made thereon.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Directors' Responsibility for the Financial Information

The directors of the Bank are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Bank as of December 31, 2012, 2013 and 2014 and September 30, 2015, and of the Bank's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended September 30, 2014 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Bank are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE BANK

The following is the financial information of the Bank prepared by the directors of the Bank as of December 31, 2012, 2013 and 2014 and September 30, 2015, and for each of the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2014 and 2015 (the "Financial Information"):

STATEMENTS OF COMPREHENSIVE INCOME
(All amounts expressed in thousands of RMB unless otherwise stated)

		Year ended December 31,			Nine months ended September 30,	
	Note	2012	2013	2014	2014	2015
					(unaudited)	
Interest income	4	18,489,431	23,013,046	32,198,471	23,234,883	34,352,217
Interest expense	4	(8,997,273)	(11,897,877)	(17,663,247)	(12,718,140)	(19,344,635)
Net interest income		9,492,158	11,115,169	14,535,224	10,516,743	15,007,582
Fee and commission income	5	969,351	2,365,941	2,691,313	1,928,714	2,411,420
Fee and commission expense	5	(91,751)	(47,117)	(70,117)	(53,771)	(88,333)
Net fee and commission income		877,600	2,318,824	2,621,196	1,874,943	2,323,087
Net trading gains/(losses)	6	50,957	5,494	85,972	60,541	(170,702)
Net gains/(losses) on financial investments	19	6,837	(3,165)	41,962	22,092	315,114
Other operating income	7	38,925	59,182	112,480	20,788	66,041
Operating income		10,466,477	13,495,504	17,396,834	12,495,107	17,541,122
Operating expenses	8	(4,044,940)	(5,270,915)	(6,028,345)	(4,389,685)	(5,295,608)
Impairment losses on assets	11	(1,062,981)	(1,703,151)	(4,576,256)	(2,177,991)	(4,740,431)
Operating profit		5,358,556	6,521,438	6,792,233	5,927,431	7,505,083
Profit before income tax		5,358,556	6,521,438	6,792,233	5,927,431	7,505,083
Income tax expense	12	(1,332,861)	(1,620,189)	(1,696,730)	(1,481,964)	(1,868,123)
Net profit attributable to shareholders of the Bank		4,025,695	4,901,249	5,095,503	4,445,467	5,636,960
Other comprehensive income Items that may be reclassified subsequently to profit or loss:						
Fair value changes on available-for-sale financial assets		(1,012)	(122,868)	328,229	247,159	239,472
Related income tax impact		253	30,717	(82,057)	(61,790)	(59,868)
Total other comprehensive income, net of tax		(759)	(92,151)	246,172	185,369	179,604
Total comprehensive income attributable to shareholders of the Bank		4,024,936	4,809,098	5,341,675	4,630,836	5,816,564
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	13	0.40	0.45	0.44	0.39	0.45

STATEMENTS OF FINANCIAL POSITION
(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	December 31, 2012	December 31, 2013	December 31, 2014	September 30, 2015
ASSETS					
Cash and balances with central bank	14	61,017,675	64,355,759	75,427,000	84,405,124
Due from banks and other financial institutions	15	117,725,847	158,520,838	93,685,713	110,811,116
Financial assets at fair value through profit or loss	16	1,659,339	2,176,663	4,190,821	8,699,191
Derivative financial assets	17	7,839	50,684	113,452	297,533
Loans and advances to customers	18	178,740,176	212,570,983	252,312,436	329,725,939
Financial investments	19				
— Available-for-sale		6,121,176	6,997,374	28,068,452	41,649,292
— Held-to-maturity		13,594,391	18,014,785	18,693,282	27,437,080
— Debt instruments classified as receivables		10,435,282	19,558,752	189,704,291	390,853,252
Property, plant and equipment	20	1,252,982	1,397,040	1,824,509	1,899,194
Deferred income tax assets	21	478,866	722,523	1,251,278	1,764,641
Other assets	22	2,805,697	3,751,593	4,686,212	6,772,415
Total assets		393,839,270	488,116,994	669,957,446	1,004,314,777
LIABILITIES					
Due to banks and other financial institutions	23	91,744,011	127,342,309	214,998,181	344,739,792
Financial liabilities at fair value through profit or loss		—	—	—	500,020
Derivative financial liabilities	17	6,059	54,184	206,949	381,027
Customer deposits	24	266,887,919	319,794,777	363,279,888	500,345,095
Income tax payable		556,790	602,999	835,329	1,359,454
Debt securities issued	25	4,450,000	5,950,000	47,898,057	95,447,595
Other liabilities	26	7,485,092	6,564,228	9,588,870	13,926,924
Total liabilities		371,129,871	460,308,497	636,807,274	956,699,907
EQUITY					
Share capital	27	10,006,872	11,506,872	11,506,872	14,509,697
Capital reserve	27	4,945,858	6,535,858	6,535,858	12,181,167
Surplus reserve	28	1,070,347	1,560,472	2,070,022	2,070,022
Statutory general reserve	28	2,030,891	3,845,359	4,639,490	8,241,258
Investment revaluation reserve	29	(3,641)	(95,792)	150,380	329,984
Retained earnings		4,659,072	4,455,728	8,247,550	10,282,742
Total equity		22,709,399	27,808,497	33,150,172	47,614,870
Total liabilities and equity		393,839,270	488,116,994	669,957,446	1,004,314,777

STATEMENTS OF CHANGES IN EQUITY
(All amounts expressed in thousands of RMB unless otherwise stated)

	Share capital	Capital reserve	Surplus reserve	Statutory general reserve	Investment revaluation reserve	Retained earnings	Total
	(Note 27)	(Note 27)	(Note 28)	(Note 28)	(Note 29)		
Balance at January 1, 2012	10,006,872	4,945,858	667,778	2,030,891	(2,882)	3,037,320	20,685,837
Net profit for the year	—	—	—	—	—	4,025,695	4,025,695
Other comprehensive income for the year	—	—	—	—	(759)	—	(759)
Total comprehensive income	—	—	—	—	(759)	4,025,695	4,024,936
Appropriation to statutory surplus reserve	—	—	402,569	—	—	(402,569)	—
Appropriation to statutory general reserve	—	—	—	—	—	—	—
Dividends declared (Note 30)	—	—	—	—	—	(2,001,374)	(2,001,374)
Balance at December 31, 2012	10,006,872	4,945,858	1,070,347	2,030,891	(3,641)	4,659,072	22,709,399
Balance at January 1, 2013	10,006,872	4,945,858	1,070,347	2,030,891	(3,641)	4,659,072	22,709,399
Net profit for the year	—	—	—	—	—	4,901,249	4,901,249
Other comprehensive income for the year	—	—	—	—	(92,151)	—	(92,151)
Total comprehensive income	—	—	—	—	(92,151)	4,901,249	4,809,098
Issuance of new shares	1,500,000	1,590,000	—	—	—	—	3,090,000
Appropriation to statutory surplus reserve	—	—	490,125	—	—	(490,125)	—
Appropriation to statutory general reserve	—	—	—	1,814,468	—	(1,814,468)	—
Dividends declared (Note 30)	—	—	—	—	—	(2,800,000)	(2,800,000)
Balance at December 31, 2013	11,506,872	6,535,858	1,560,472	3,845,359	(95,792)	4,455,728	27,808,497
Balance at January 1, 2014	11,506,872	6,535,858	1,560,472	3,845,359	(95,792)	4,455,728	27,808,497
Net profit for the year	—	—	—	—	—	5,095,503	5,095,503
Other comprehensive income for the year	—	—	—	—	246,172	—	246,172
Total comprehensive income	—	—	—	—	246,172	5,095,503	5,341,675
Appropriation to statutory surplus reserve	—	—	509,550	—	—	(509,550)	—
Appropriation to statutory general reserve	—	—	—	794,131	—	(794,131)	—
Balance at December 31, 2014	11,506,872	6,535,858	2,070,022	4,639,490	150,380	8,247,550	33,150,172

STATEMENTS OF CHANGES IN EQUITY (Continued)
(All amounts expressed in thousands of RMB unless otherwise stated)

	Share capital	Capital reserve	Surplus reserve	Statutory general reserve	Investment revaluation reserve	Retained earnings	Total
	(Note 27)	(Note 27)	(Note 28)	(Note 28)	(Note 29)		
Balance at January 1, 2014	11,506,872	6,535,858	1,560,472	3,845,359	(95,792)	4,455,728	27,808,497
Net profit for the period	—	—	—	—	—	4,445,467	4,445,467
Other comprehensive income for the year	—	—	—	—	185,369	—	185,369
Total comprehensive income	—	—	—	—	185,369	4,445,467	4,630,836
Appropriation to statutory general reserve	—	—	—	794,131	—	(794,131)	—
Balance at September 30, 2014 (unaudited)	11,506,872	6,535,858	1,560,472	4,639,490	89,577	8,107,064	32,439,333
Balance at January 1, 2015	11,506,872	6,535,858	2,070,022	4,639,490	150,380	8,247,550	33,150,172
Net profit for the period	—	—	—	—	—	5,636,960	5,636,960
Other comprehensive income for the period	—	—	—	—	179,604	—	179,604
Total comprehensive income	—	—	—	—	179,604	5,636,960	5,816,564
Issuance of new shares	3,002,825	5,645,309	—	—	—	—	8,648,134
Appropriation to statutory general reserve	—	—	—	3,601,768	—	(3,601,768)	—
Balance at September 30, 2015	14,509,697	12,181,167	2,070,022	8,241,258	329,984	10,282,742	47,614,870

STATEMENTS OF CASH FLOWS
(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended December 31,			Nine months ended September 30,	
		2012	2013	2014	2014	2015
					(unaudited)	
Cash flows from operating activities						
Profit before income tax		5,358,556	6,521,438	6,792,233	5,927,431	7,505,083
Adjustments:						
Depreciation and amortization	8	149,837	176,552	195,098	137,953	153,531
Impairment losses on loans	11	1,061,874	1,698,736	4,280,104	1,932,024	4,249,208
Impairment losses on other assets	11	1,107	4,415	296,152	245,967	491,223
Net (gains)/losses on de-recognition of financial investments		(6,837)	3,165	(41,962)	(22,092)	(315,114)
Fair value changes in financial assets at fair value through profit or loss and derivatives		(32,247)	24,619	36,519	(44,885)	(47,721)
Interest income from financial investments	4	(798,027)	(1,344,613)	(7,221,238)	(4,162,825)	(15,877,070)
Interest expense from debt securities issued	4	272,784	292,933	1,039,596	537,131	2,295,010
Net change in operating assets and operating liabilities:						
Net increase in restricted deposit balances with central bank		(9,994,399)	(7,560,733)	(9,636,153)	(5,026,622)	(14,122,169)
Net (increase)/decrease in due from banks and other financial institutions		(34,785,335)	(51,989,097)	61,746,271	67,493,981	(15,366,937)
Net increase in financial assets at fair value through profit or loss		(182,820)	(536,663)	(1,960,680)	(1,264,118)	(4,470,652)
Net increase in loans and advances to customers		(33,356,227)	(35,507,220)	(43,985,770)	(30,806,389)	(81,645,261)
Net increase in other operating assets		(442,687)	(561,436)	(152,348)	(226,789)	(704,509)
Net increase in due to banks and other financial institutions		41,327,923	35,598,298	87,655,872	49,483,737	129,741,611
Net increase in customer deposits		52,205,586	52,906,858	43,485,111	18,946,381	137,065,207
Net increase/(decrease) in other operating liabilities		(6,802,765)	2,047,700	2,875,277	3,441,664	4,769,052
Cash from operating activities before tax		13,976,323	1,774,952	145,404,082	106,592,549	153,720,492
Income tax paid		(1,347,113)	(1,786,920)	(2,075,212)	(1,545,004)	(1,917,229)
Net cash from/(used in) operating activities		12,629,210	(11,968)	143,328,870	105,047,545	151,803,263

STATEMENTS OF CASH FLOWS (Continued)
(All amounts expressed in thousands of RMB unless otherwise stated)

		Year ended December 31,			Nine months ended September 30,	
	Note	2012	2013	2014	2014	2015
					(unaudited)	
Cash flows from investing activities:						
Dividends received		350	400	450	450	—
Purchase of property and equipment, intangible assets and other long-term assets		(421,359)	(372,719)	(654,410)	(310,000)	(200,047)
Interest income from financial investments		660,981	1,011,070	6,467,400	3,511,352	14,435,690
Proceeds from disposal and redemption of financial investments		47,557,397	24,264,779	75,386,646	52,785,934	349,118,449
Purchase of financial investments		(49,494,256)	(38,794,784)	(267,231,564)	(184,185,043)	(572,578,259)
Net cash used in investing activities		(1,696,887)	(13,891,254)	(186,031,478)	(128,197,307)	(209,224,167)
Cash flows from financing activities:						
Proceeds from issuance of ordinary shares		3,090,000	—	—	—	8,648,134
Proceeds from issuance of debt securities		—	1,500,000	54,148,057	22,437,863	98,564,325
Cash paid for repayment of debt securities		—	—	(12,200,000)	(3,670,853)	(52,820,000)
Interest paid on debt securities issued		(271,250)	(281,071)	(871,756)	(173,148)	(358,836)
Dividends paid on ordinary shares		(1,999,712)	(2,733,360)	(26,708)	(26,708)	—
Net cash from/(used in) financing activities		819,038	(1,514,431)	41,049,593	18,567,154	54,033,623
Effect of exchange rate changes on cash and cash equivalents		(153)	898	(751)	(279)	1,702
Net increase /(decrease) in cash and cash equivalents		11,751,208	(15,416,755)	(1,653,766)	(4,582,887)	(3,385,579)
Cash and cash equivalents at beginning of the period		22,527,063	34,278,271	18,861,516	18,861,516	17,207,750
Cash and cash equivalents at end of the period	35	34,278,271	18,861,516	17,207,750	14,278,629	13,822,171
Net cash flows from operating activities including:						
Interest received		17,209,001	21,080,910	24,480,931	18,530,041	18,705,578
Interest paid		(7,806,377)	(10,191,247)	(14,370,482)	(10,352,586)	(14,876,065)

II NOTES TO THE FINANCIAL STATEMENTS

(All amounts expressed in thousands of RMB unless otherwise stated)

1 GENERAL

The Bank is a national joint-stock commercial bank which was established in Zhejiang Province, the People's Republic of China (the "PRC") on July 26, 2004 with the approval from China Banking Regulatory Commission ("CBRC").

As of September 30, 2015, the registered capital of the Bank is Renminbi ("RMB") 14,509,696,778 yuan.

As of September 30, 2015, the Bank has established 128 branch outlets in 12 provinces (municipalities) of Mainland China, including 35 branches (19 of them are tier-one branches), one branch-level specialized institution and 92 sub-branches. The principal activities of the Bank include corporate and personal deposits, loans and advances, clearing and settlement service, treasury business and other banking service as approved by the CBRC.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to the relevant years/periods presented unless otherwise stated.

2.1 Basis of presentation

The Financial Information of the Bank has been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3.

The Bank applied all relevant effective IFRSs in the preparation of the Financial Information.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Bank as of the relevant periods are as follows:

		Effective for annual periods beginning on or after
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operation	January 1, 2016
IFRS 14	Regulatory deferral accounts	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
Amendments to IFRSs	Annual improvements to IFRSs (2012 – 2014 cycle)	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019
Amendment to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	January 1, 2017
Amendments to IAS 7	Disclosure Initiatives	January 1, 2017

Amendment to IFRS 11

The amendments to IFRS 11—Joint Arrangements provide specific guidance on accounting for the acquisition of an interest in a joint operation that is a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

IFRS 14

The International Accounting Standards Board ("IASB") has issued IFRS 14—Regulatory Deferral Accounts, an interim standard on the accounting for certain balances that arise from rate-regulated activities ("regulatory deferral accounts"). IFRS 14 is only applicable to entities that apply IFRS 1—First-time Adoption of International Financial Reporting Standards as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous Generally Accepted Accounting Principles accounting policies for the recognition, measurement, impairment and de-recognition of regulatory deferral accounts.

IFRS 16

Under IAS 17 lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet), IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset' for virtually all lease contracts. The new standard will impact both the balance sheet and related ratios (capital adequacy ratio and leverage ratio), but the impact will not be material. As of September 30, 2015, the amounts of operating leasing commitment was 1.8 billion as disclosed, if the amounts were recognized on balance sheet as asset and liability. It has immaterial influences on total assets and liabilities. The impacts on capital adequacy ratio and leverage ratio are also immaterial.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

Amendment to IAS 16 and IAS 38

The amendments to IAS 16—Property, Plant and Equipment, clarify that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendments to IAS 38—Intangible Assets, establish a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances.

Amendment to IFRS 10 and IAS 28

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

Amendments to IFRSs: Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012 – 2014 Cycle include a number of amendments to various IFRSs, including the amendments IFRS 5—Non-current Assets Held for Sale and Discontinued Operations regarding methods of disposal, the amendments to IFRS 7—Financial Instruments: Disclosures regarding servicing contracts, the amendments to IAS 19—Employee Benefits regarding discount rates, the amendments to IAS 34 Interim Financial Reporting regarding disclosure of information.

IFRS 15

IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. IFRS 15 provides specific guidance on capitalization of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 9

IFRS 9, published in July 2014 and effective for annual periods beginning on or after January 1, 2018, will replace the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. The principle and guidance on recognition and derecognition of financial instruments in IAS 39 remains unchanged.

IFRS 9 will change the way the Bank classifies and measures its financial assets. IAS 39 measurement categories 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'loans and receivables' and 'available-for-sale financial assets' will be replaced by three main categories in IFRS 9, which are 'amortized cost', 'fair value through other comprehensive

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

income' and 'fair value through profit or loss'. The approach for classifying financial assets will also change. Under IAS 39 the characteristics of financial assets are analyzed for any embedded derivatives and whether those have to be separated from the host contract (bifurcation of hybrid instruments). IFRS 9 uses a different approach that does not involve the bifurcation of financial assets. Instead, financial assets are classified in their entirety into a measurement category. This classification of financial assets under IFRS 9 will require the Bank to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement.

For financial assets that will be classified as 'amortized cost' or 'fair value through other comprehensive income', the Bank will be required to apply an expected credit loss impairment model that will apply to both those measurement categories as well as other exposures to credit risk such as loan commitments and financial guarantees. This impairment model will replace the different impairment models in IAS 39 (the incurred loss impairment model and the impairment model for available-for-sale financial assets) as well as the requirements in IAS 37 that related to some types of credit risk exposures (such as loan commitments and financial guarantees). The main differences between the new expected credit loss impairment model compared to the incurred loss model in IAS 39 are that the expected credit loss model uses more forward-looking information and that it does not involve the existence of an objective evidence of impairment until which credit losses remain unrecognized. Consequently, financial assets in the scope of the new impairment model will require a loss allowance to be recognized throughout their lives and the relative change of credit risk since initial recognition of the financial asset drives whether that loss allowance is equal to 12-month expected credit losses or lifetime expected credit losses. Lifetime expected credit losses represent all credit losses over the remaining life of a financial asset on a probability-weighted basis. 12-month expected credit losses are a subset of the lifetime expected credit losses and represent the losses expected to arise from default events within the next 12 months after the reporting date.

Given IFRS 9 will change the way the Bank classifies and measures its financial assets, adoption of IFRS 9 on January 1, 2018 could have material impact on the Bank's financial information. In particular, calculation of impairment of financial instruments on an expected credit loss basis may result in an increase in impairment allowance. The Bank is assessing the potential impact on its financial statements resulting from the application of IFRS 9, including assessing the need for any system modification related to expected credit loss model, updating financial instruments impairment policies and launching relevant staff training. The Bank has not completed its assessment of the full impact of adopting IFRS 9 and therefore its possible impacts on the Bank's operating results and financial position have not been quantified.

Amendment to IAS 12

The amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses provide specific guidance to clarify the requirements on recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

Amendment to IFRS 7

The amendments to IFRS 7: Disclosure Initiatives require entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation (Continued)

Except the above mentioned impact of IFRS 9, the Bank expects adoption of the above new IFRS and amendments to IFRS issued but not yet effective will not have a material effect on the Bank's operating results, financial position or other comprehensive income.

2.2 Financial year

The accounting year starts on January 1, and ends on December 31.

2.3 Functional currency

The functional currency of the Bank is RMB.

2.4 Interest income and expense

Interest income and expense for interest-bearing financial instruments is recognized in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortized cost of financial assets and liabilities and of allocating the interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the carrying amount of the financial instrument. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest on the impaired financial assets is recognized using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

2.5 Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are recognized over that period. For other services, fee and commission income are recognized when the transactions are completed.

2.6 Dividend income

Dividends are recognized when the right to receive payment is established.

2.7 Government grants

A government grant is recognized when there is reasonable assurance that the grant will be received and that the Bank will comply with the conditions associated with the grant. Government grants related to an asset are initially recognized as deferred income at fair value and then recognized in profit or loss as other operating income on a straight-line basis over the useful life of the asset. Government grants that compensate the Bank for expenses incurred are recognized in profit or loss in the periods in which the expenses are recognized.

2.8 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditures incurred by the Bank in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.8 Employee benefits (Continued)

(a) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Bank recognizes the short term employee benefits payable for those services as a liability with a corresponding increase in the expenses in profit or loss. Short-term employee benefits include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses.

(b) Post-employment benefits

The Bank's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Bank makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognized in profit or loss for the period in which the related payment obligation is incurred.

The employees of the Bank participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the profit or loss when incurred. The Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

2.9 Current and deferred income taxes

Current income tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous periods. Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized.

Current income tax and movements in deferred tax balances are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively. At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled according to the requirements of tax laws. The Bank also considers the possibility of realization and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Bank has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.10 Foreign currency translation

Monetary items denominated in foreign currency are translated into RMB with the closing rate as of the reporting date and exchange differences are recognized in the profit or loss. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as of the date of initial recognition.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, such as cash, surplus reserve with the central bank, deposits or placements with banks and other financial institutions with original tenors less than 3 months.

2.12 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position and classified into one of the categories presented below. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, respectively, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.12.1 Financial assets

The Bank's financial assets are classified into four categories—financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale financial assets and, loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at FVTPL have two subcategories—financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of sale in the near future; or
- it forms part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative instrument that is not designated and effective as a hedging instrument.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.1 Financial assets (Continued)

(a) Financial assets at fair value through profit or loss (Continued)

There are no financial assets designated at fair value through profit or loss at inception for the Bank.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from re-measurement recognized directly in the profit or loss in the period in which they arise.

(b) Held-to-maturity financial investments

Held-to-maturity investments are non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that the Bank has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment losses.

(c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method.

Financial assets classified as loans and receivables primarily include balances with central bank, due from banks and other financial institutions, loans and advances to customers, and debt instruments classified as receivables.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as such or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the profit or loss.

Equity investments classified as available-for-sale that do not have a quoted price in an active market and whose fair value cannot be reliably determined are measured at cost, less any impairment losses, at the end of each reporting period.

Interest income related to financial assets classified as available-for-sale debt instruments is calculated using the effective interest method. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive such payments is established.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.1 Financial assets (Continued)

(e) Impairment of financial assets

The carrying amounts of financial assets other than those at fair value through profit or loss are reviewed by the Bank at the end of the reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an equity investment classified as available-for-sale below its cost is considered to be objective evidence of impairment.

For all other financial assets, the objective evidence of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets, although the decrease cannot yet be attributed to individual financial assets in the portfolio, including:
  - — adverse changes in the payment status of borrowers in the portfolio; and
  - — national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in collective assessment of impairment.

(f) Impairment of financial assets carried at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the assets are impaired. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.1 Financial assets (Continued)

(f) Impairment of financial assets carried at amortized cost (Continued)

When a financial asset is considered uncollectible, it is written off against the allowance account after all necessary procedures have been performed and the loss amount has been determined. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as an improvement in the debtor's credit rating, the previously recognized impairment loss is reversed through the profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(g) Impairment of financial assets classified as available-for-sale

When a decline in the fair value of a financial asset classified as available-for-sale has been recognized directly in other comprehensive income and accumulated in the investment revaluation reserve, and there is objective evidence that asset is impaired, the cumulative losses previously recognized in other comprehensive income are reclassified to the profit or loss in the period in which the impairment takes place.

An impairment loss on a debt investment classified as available-for-sale is subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2.12.2 Financial liabilities

The Bank's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities, carried at amortized cost.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments.

There are no financial liabilities designated at fair value through profit or loss at inception for the Bank.

Financial liabilities at FVTPL are stated at fair value, with changes in fair value arising on re-measurement recognized directly in profit or loss in the period in which they arise.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.2 Financial liabilities (Continued)

(b) Other financial liabilities

Other financial liabilities are measured at amortized cost, using the effective interest method.

2.12.3 Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their characteristics and risks are not clearly and closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value through profit or loss.

2.12.4 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

2.12.5 De-recognition

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.12 Financial instruments (Continued)

2.12.5 De-recognition (Continued)

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

2.12.6 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when both of the following conditions are satisfied: (i) the Bank has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Bank intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterparty.

2.12.7 Resale and repurchase agreements

Financial assets transferred as collateral in connection with standard repurchase agreements, involving fixed repurchase dates and prices are not derecognized. They continue to be recorded as Investments Classified as Held-to-Maturity Investments, Available-for-sale financial assets, Debt Instruments Classified as receivables or Loans and advances to customers as appropriate. The corresponding liability is included in Due to banks and other financial institutions.

Consideration paid for financial assets held under agreements to resell are recorded in Due from banks and other financial institutions.

The difference between purchase and sale price is recognized as interest expense or interest income in profit or loss over the term of the agreements using the effective interest method.

2.13 Property, plant and equipment

Property, plant and equipment are assets held by the Bank for the conduct of business and are expected to be used for more than one year. Construction in progress is the property and equipment under construction, which is transferred to property, plant and equipment when ready for its intended use.

(a) Cost

Property, plant and equipment are initially recognized at cost. The cost of a purchased property, plant and equipment comprises the purchase price, related taxes, and any directly attributable

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.13 Property, plant and equipment (Continued)

(a) Cost (Continued)

expenditure for bringing the asset to working condition for its intended use. The cost of a self-constructed property, plant and equipment comprises those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent costs, including the cost of replacing part of an item of property, plant and equipment, are recognized in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognized. Expenditures relating to ordinary maintenance of property, plant and equipment are recognized in profit or loss.

(b) Depreciation and impairment

Depreciation is calculated to write off to the profit or loss the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Impaired property, plant and equipment are depreciated net of accumulated impairment losses. No depreciation is provided on construction in progress.

The estimated useful lives, residual values rates and annual depreciation rates of respective property, plant and equipment are as follows:

Type of assets	Estimated useful lives	Estimated residual value rates	Depreciation rate
Buildings	10-30 years	5%	3.17%-9.50%
Equipment	7 years	5%	13.57%
Motor vehicles	5 years	5%	19.00%

The Bank reviews the estimated useful lives and estimated residual values of property, plant and equipment and the depreciation method applied at least once a financial year.

Impairment losses on property, plant and equipment are accounted for in accordance with the accounting policies as set out in Note 2.17.

(c) Disposal

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the property, plant and equipment and are recognized in profit or loss on the date of retirement or disposal.

2.14 Land use rights

Land use rights are initially recognized at costs and amortized using the straight-line basis over the legal term of use through profit and loss. Impaired land use rights are amortized net of accumulated impairment losses.

Impairment losses on land use rights are accounted for in accordance with the accounting policies as set out in Note 2.17.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.15 Intangible assets

The intangible assets are initially recognized at cost. The cost less estimated residual values, if any, of the intangible assets is amortized on a straight-line basis over their useful lives, and charged to the profit or loss. Impaired intangible assets are amortized net of accumulated impairment losses.

Impairment losses on intangible assets are accounted for in accordance with the accounting policies as set out in Note 2.17.

2.16 Foreclosed assets

When the Bank's obligor use foreclosed asset to compensate the principal and interest of loan, foreclosed asset was initially recognized at fair value.

Impairment losses on foreclosed assets other than financial assets are accounted for in accordance with the accounting policies as set out in Note 2.17.

2.17 Allowances for impairment losses on non-financial assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in profit or loss.

2.18 Provisions

Provisions are recognized when the Bank has a present obligation as a result of a past event, and it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.19 Leases

Leases in which substantially all the risk and rewards of the ownership are transferred to the lessee are classified as financing lease. Other leases are operating lease.

Rental payments of operating lease are recognized in profit or loss according to the method of straight line during the lease term.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.20 Wealth management

The Bank acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Bank and securities investment funds, insurance companies, trust companies, and other institutions and individuals. The Bank receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Bank's statement of financial position.

2.21 Entrusted loans

The Bank conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Bank grants loans to borrowers, as an intermediary, according to the instruction of its customers. The Bank is responsible for the arrangement and collection of the entrusted loans and receives commission for the services rendered. As the Bank does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Bank.

2.22 Financial guarantee contracts

Financial guarantees are contracts that require the Bank as the guarantor (the "issuer") to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs when a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount less amortization of guarantee fees recognized in accordance with the revenue recognition policy, and the best estimate of the expenditure required to settle the guarantees. Any increase in the liability relating to guarantees is taken to the profit or loss.

2.23 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable and the amount can be reliably measured, it will then be recognized as a provision.

2.24 Segment reporting

The identification of operating segments of the Bank is on the basis of internal reports that are regularly reviewed by the Bank's chief operating decision makers in order to allocate resources to the segment and assess its performance. The Bank has determined the management team represented by the governor as its chief operating decision maker.

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

2.24 Segment reporting (Continued)

The measurement of segment assets and liabilities, as well as segment revenue, expense and results is based on the Bank's accounting policies. There is no difference between the accounting policies used in the preparation of the Bank's financial statements and those used in preparing the operating segment information.

Segment revenue, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank continually evaluates the significant accounting estimates and judgments applied based on historical experience and other factors, including reasonable expectations of future events. The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are outlined below.

(a) Impairment allowances for loans and advances to customers

The Bank regularly reviews its loan portfolios to assess impairment loss, unless known circumstances indicate that impairment may have occurred as of an interim date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in that portfolio (e.g. payment default), or national or local economic conditions that correlate with defaults on the portfolio of loans. The impairment loss for a loan and advance that is individually assessed for impairment is the difference between estimated discounted future cash flows and carrying amount. When loans and advances are collectively assessed for impairment, Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred.

(b) Fair value of financial instruments

The Bank uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and option pricing models. To the extent practicable, market observable inputs and data, such as interest rate yield curves, foreign currency rates and implied option volatilities, should be made maximum use of when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Bank and the counterparty, volatilities and correlations

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (Continued)

(b) Fair value of financial instruments (Continued)

require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(c) Held-to-maturity investments

The Bank classifies non-derivative financial assets, quoted in an active market, with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity as held-to-maturity investments. In assessing the Bank's intention and ability to hold such investments to maturity, management primarily considers the business purpose for acquiring a security, as well as the Bank's liquidity needs. This is a significant judgment because if the Bank fails to hold these investments to maturity, other than for specific and limited circumstances (e.g., sale of an insignificant amount close to maturity), it will be required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets and be precluded from classifying investments as held-to-maturity investments for two years.

(d) Income taxes

The Bank is subject to income taxes and significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Bank recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Taxation matters are subject to the decision of taxation authorities. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax and deferred tax assets and liabilities in the period in which such determination is made.

(e) Control over structured entity

Where the Bank acts as asset manager of structured entities, the Bank makes judgment on whether it is the principal or an agent to assess whether the Bank controls the structured entities and should consolidate them. When performing this assessment, the Bank considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Bank's exposure to variability of returns from other interests (e.g. direct investment) that it holds in the structured entities. The Bank performs reassessment periodically.

4 NET INTEREST INCOME

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Interest income					
Balances with central bank	742,877	901,498	987,919	726,377	885,854
Due from banks and other financial institutions	4,656,085	6,460,251	7,359,359	6,114,008	3,493,002
Loans and advances to customers	12,235,855	14,234,744	16,433,411	12,098,249	13,869,829
Financial assets at fair value through profit or loss	56,587	71,940	196,544	133,424	226,462
Financial investments	798,027	1,344,613	7,221,238	4,162,825	15,877,070
Subtotal	18,489,431	23,013,046	32,198,471	23,234,883	34,352,217
Including: Interest income from impaired financial assets	19,585	29,132	45,025	37,940	74,482
Interest expense					
Due to banks and other financial institutions	(3,128,365)	(4,824,261)	(8,458,075)	(6,217,184)	(8,902,498)
Customer deposits	(5,596,124)	(6,780,683)	(8,165,576)	(5,963,825)	(8,147,127)
Debt securities issued	(272,784)	(292,933)	(1,039,596)	(537,131)	(2,295,010)
Subtotal	(8,997,273)	(11,897,877)	(17,663,247)	(12,718,140)	(19,344,635)
Net interest income	9,492,158	11,115,169	14,535,224	10,516,743	15,007,582
Interest income from listed financial investments(i)	550,243	734,667	1,409,434	923,127	1,880,188
Interest income from unlisted financial investments	247,784	609,946	5,811,804	3,239,698	13,996,882

(i) Interest income from listed financial investments is principally derived from debt securities traded within China domestic interbank bond market.

5 NET FEE AND COMMISSION INCOME

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Fee and commission income					
Agency service	243,721	1,061,632	1,404,549	999,945	682,616
Wealth management business	417,305	649,023	353,864	280,941	868,180
Custodian and other fiduciary service	12,038	233,614	266,685	177,847	117,319
Credit commitment	136,605	175,886	265,288	182,009	364,665
Underwriting service	59,051	126,267	275,548	181,133	218,930
Settlement business	49,200	53,585	42,152	28,014	59,357
Others	51,431	65,934	83,227	78,825	100,353
Total	969,351	2,365,941	2,691,313	1,928,714	2,411,420
Fee and commission expense	(91,751)	(47,117)	(70,117)	(53,771)	(88,333)
Net fee and commission income	877,600	2,318,824	2,621,196	1,874,943	2,323,087

6 NET TRADING GAINS/(LOSSES)

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Net gains /(losses) from:					
Trading bond	11,559	(11,015)	87,791	70,629	158,359
Derivative financial instruments	38,115	(8,033)	(134,572)	(41,083)	(207,376)
Exchange differences	1,283	24,542	132,753	30,995	(121,685)
Total	50,957	5,494	85,972	60,541	(170,702)

7 OTHER OPERATING INCOME

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Government grants(i)	15,007	27,733	108,839	7,096	9,182
Dividend income	350	400	450	450	—
Gains on disposal of fixed assets	242	123	213	170	132
Other miscellaneous income	23,326	30,926	2,978	13,072	56,727
Total	38,925	59,182	112,480	20,788	66,041

(i) Government grants for the year ended December 31, 2014 mainly include the amount received from the Zhejiang Provincial Bureau of Finance for rewarding the Bank's contribution to the development of local economy.

8 OPERATING EXPENSES

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Staff costs (including directors and supervisors' emoluments)(Note 9)	1,442,202	2,286,224	2,722,007	2,063,549	2,681,481
General and administrative expenses	1,422,445	1,583,450	1,670,455	1,130,112	1,243,860
Business tax and surcharges	799,249	940,919	1,101,360	811,114	942,672
Depreciation of property, plant and equipment (Note 20)	90,816	104,066	114,723	81,991	89,769
Amortization of intangible assets (Note 22(iii))	13,045	15,852	18,746	11,628	16,256
Amortization of land use rights (Note 22(ii))	10,946	11,356	11,356	8,517	8,517
Amortization of long-term prepaid expenses	35,030	45,278	50,273	35,817	38,989
Rental expenses	218,591	265,483	306,354	218,687	245,969
Auditors' remuneration	1,500	1,600	1,600	1,200	2,800
Donations	3,430	4,479	8,451	7,071	1,785
Others	7,686	12,208	23,020	19,999	23,510
Total	4,044,940	5,270,915	6,028,345	4,389,685	5,295,608

9 STAFF COSTS (including directors and supervisors' emoluments)

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Salaries and bonuses	1,124,974	1,869,900	2,236,575	1,727,945	2,152,206
Pension costs-Defined contribution plans	70,665	99,352	111,329	80,193	230,211
Housing funds	65,905	80,940	98,504	69,742	89,124
Labor union fee and staff education expenses	34,825	49,099	61,996	35,599	48,916
Other social security and benefit costs	145,833	186,933	213,603	150,070	161,024
Total	1,442,202	2,286,224	2,722,007	2,063,549	2,681,481

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS

(a) Details of the directors' and supervisors' emoluments are as follows:

	Year ended December 31, 2012				
Name	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive Directors					
Zhang Dayang	—	1,568	903	15	2,486
Gong Fangle	—	1,568	903	15	2,486
Xu Renyan	—	1,262	2,519	15	3,796
Non-Executive Directors					
Wang Mingde	—	—	—	—	—
Dou Xiufang	—	—	—	—	—
Shen Xiaojun	—	—	—	—	—
Gao Qinhong	—	—	—	—	—
Hu Tiangao	—	—	—	—	—
Wang Shuifu	—	—	—	—	—
Tao Xuegen	—	—	—	—	—
Zhou Yongli	—	—	—	—	—
Zhang Xianfei	—	—	—	—	—
Independent Non-Executive Directors					
Chen Guoping	200	—	—	—	200
Jin Xuejun	200	—	—	—	200
Qian Zihui	200	—	—	—	200
Xu Xinqiao	200	—	—	—	200
Supervisors					
Lu Weiding	—	—	—	—	—
Zhong Zhexiao	—	—	—	—	—
Yan Jianwen	—	—	—	—	—
Wang Hua	—	—	—	—	—
Yu Peixiang	—	503	782	15	1,300
Shen lirong	—	503	915	15	1,433
Ge Lixin	—	523	919	15	1,457
Dong Zhoufeng	—	503	780	15	1,298
Jiang Zhihua	200	—	—	—	200
Zhou Jiansong	200	—	—	—	200
Feng Disheng	200	—	—	—	200
Total	1,400	6,430	7,721	105	15,656

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

	Year ended December 31, 2013				
Name	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive directors					
Zhang Dayang	—	1,569	661	17	2,247
Gong Fangle	—	1,569	661	17	2,247
Xu Renyan	—	1,263	2,459	17	3,739
Non-Executive Directors					
Wang Mingde	—	—	—	—	—
Dou Xiufang	—	—	—	—	—
Shen Xiaojun	—	—	—	—	—
Gao Qinhong	—	—	—	—	—
Hu Tiangao	—	—	—	—	—
Wang Shuifu	—	—	—	—	—
Tao Xuegen	—	—	—	—	—
Zhou Yongli	—	—	—	—	—
Zhang Xianfei	—	—	—	—	—
Independent Non-Executive Directors					
Chen Guoping	200	—	—	—	200
Jin Xuejun	200	—	—	—	200
Qian Zihui	200	—	—	—	200
Xu Xinqiao	200	—	—	—	200
Supervisors					
Lu Weiding	—	—	—	—	—
Zhong Zhexiao	—	—	—	—	—
Yan Jianwen	—	—	—	—	—
Wang Hua	—	—	—	—	—
Yu Peixiang	—	642	759	17	1,418
Shen lirong	—	668	865	17	1,550
Ge Lixin	—	694	870	17	1,581
Dong Zhoufeng	—	642	758	17	1,417
Jiang Zhihua	200	—	—	—	200
Zhou Jiansong	200	—	—	—	200
Feng Disheng	200	—	—	—	200
Total	1,400	7,047	7,033	119	15,599

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

	Year ended December 31, 2014				
Name	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive Directors					
Zhang Dayang(i)	—	1,048	—	12	1,060
Shen Renkang(i)	—	664	—	9	673
Gong Fangle(i)	—	1,048	—	12	1,060
Liu Xiaochun(i)	—	—	—	—	—
Xu Renyan	—	1,268	2,534	19	3,821
Non-Executive Directors					
Wang Mingde	—	—	—	—	—
Dou Xiufang	—	—	—	—	—
Shen Xiaojun	—	—	—	—	—
Gao Qinhong	—	—	—	—	—
Hu Tiangao	—	—	—	—	—
Wang Shuifu	—	—	—	—	—
Tao Xuegen	—	—	—	—	—
Zhou Yongli	—	—	—	—	—
Zhang Xianfei	—	—	—	—	—
Independent Non-Executive Directors					
Chen Guoping	200	—	—	—	200
Jin Xuejun	200	—	—	—	200
Qian Zihui	200	—	—	—	200
Xu Xinqiao	200	—	—	—	200
Supervisors					
Lu Weiding	—	—	—	—	—
Zhong Zhexiao	—	—	—	—	—
Yan Jianwen	—	—	—	—	—
Wang Hua	—	—	—	—	—
Yu Peixiang	—	660	928	19	1,607
Shen lirong	—	712	1,122	19	1,853
Ge Lixin	—	738	1,154	19	1,911
Dong Zhoufeng	—	659	1,023	19	1,701
Jiang Zhihua	200	—	—	—	200
Zhou Jiansong	200	—	—	—	200
Feng Disheng	200	—	—	—	200
Total	1,400	6,797	6,761	128	15,086

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

	Nine months ended September 30, 2014 (unaudited)				
Name	**Fees**	**Salaries and allowances and benefits**	**Discretionary bonuses**	**Contribution to pension schemes**	**Total**
Executive Directors					
Zhang Dayang[(i)]	—	1,048	—	12	1,060
Shen Renkang[(i)]	—	268	—	5	273
Gong Fangle	—	1,048	—	12	1,060
Liu Xiaochun[(i)]	—	—	—	—	—
Xu Renyan	—	949	—	14	963
Non-Executive Directors					
Wang Mingde	—	—	—	—	—
Dou Xiufang	—	—	—	—	—
Shen Xiaojun	—	—	—	—	—
Gao Qinhong	—	—	—	—	—
Hu Tiangao	—	—	—	—	—
Wang Shuifu	—	—	—	—	—
Tao Xuegen	—	—	—	—	—
Zhou Yongli	—	—	—	—	—
Zhang Xianfei	—	—	—	—	—
Independent Non-Executive Directors					
Chen Guoping	150	—	—	—	150
Jin Xuejun	150	—	—	—	150
Qian Zihui	150	—	—	—	150
Xu Xinqiao	150	—	—	—	150
Supervisors					
Lu Weiding	—	—	—	—	—
Zhong Zhexiao	—	—	—	—	—
Yan Jianwen	—	—	—	—	—
Wang Hua	—	—	—	—	—
Yu Peixiang	—	492	188	14	694
Shen lirong	—	532	203	14	749
Ge Lixin	—	551	211	14	776
Dong Zhoufeng	—	492	188	14	694
Jiang Zhihua	150	—	—	—	150
Zhou Jiansong	150	—	—	—	150
Feng Disheng	150	—	—	—	150
Total	1,050	5,380	790	99	7,319

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

	Nine months ended September 30, 2015				
Name	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive Directors					
Shen Renkang	—	870	—	100	970
Liu Xiaochun	—	937	—	95	1,032
Zhang Luyun(ii)	—	762	—	99	861
Xu Renyan	—	954	—	100	1,054
Non-Executive Directors					
Wang Yibing(ii)	—	—	—	—	—
Wang Mingde	—	—	—	—	—
Shen Xiaojun	—	—	—	—	—
Gao Qinhong	—	—	—	—	—
Hu Tiangao	—	—	—	—	—
Lou Ting(ii)	—	—	—	—	—
Wei Dongliang(ii)	—	—	—	—	—
Wang Kefei(ii)	—	—	—	—	—
Dou Xiufang(ii)	—	—	—	—	—
Wang Shuifu(ii)	—	—	—	—	—
Zhou Yongli(ii)	—	—	—	—	—
Tao Xuegen(ii)	—	—	—	—	—
Zhang Xianfei(ii)	—	—	—	—	—
Independent Non-Executive Directors					
Jin Xuejun	150	—	—	—	150
Tong Benli(ii)	133	—	—	—	133
Yuan Fang(ii)	133	—	—	—	133
Zheng Xinli(ii)	133	—	—	—	133
Dai Deming(ii)	133	—	—	—	133
Liu Pak Wai(ii)	133	—	—	—	133
Chen Guoping(ii)	33	—	—	—	33
Qian Zihui(ii)	33	—	—	—	33
Xu Xinqiao(ii)	33	—	—	—	33
Subtotal emoluments for directors	914	3,523	—	394	4,831

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(a) Details of the directors' and supervisors' emoluments are as follows (Continued):

	Nine months ended September 30, 2015				
Name	Fees	Salaries and allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Supervisors					
Yu Jianqiang(ii)	—	801	—	63	864
Tao Xuegen(ii)	—	—	—	—	—
Zhou Yang(ii)	—	—	—	—	—
Zhang Xianfei(ii)	—	—	—	—	—
Lu Weiding(ii)	—	—	—	—	—
Zhong Zhexiao(ii)	—	—	—	—	—
Yan Jianwen(ii)	—	—	—	—	—
Wang Hua(ii)	—	—	—	—	—
Zheng Jianming(ii)	—	438	152	61	651
Dong Zhoufeng	—	547	203	79	829
Ge Lixin	—	603	227	86	916
Zhang Rulong(ii)	—	521	182	76	779
Yu Peixiang(ii)	—	58	33	8	99
Shen Lirong(ii)	—	65	36	9	110
Jiang Zhihua	150	—	—	—	150
Yuan Xiaoqiang(ii)	133	—	—	—	133
Huang Zuhui(ii)	133	—	—	—	133
Wang Jun(ii)	133	—	—	—	133
Zhou Jiansong(ii)	33	—	—	—	33
Feng Disheng(ii)	33	—	—	—	33
Total emoluments for directors and supervisors	1,529	6,556	833	776	9,694

(i) At the first Extraordinary General Meeting of the Bank held on August 26, 2014, Shen Renkang and Liu Xiaochun were appointed as executive directors of the Bank, and Zhang Dayang and Gong Fangle were no longer executive directors of the Bank.

(ii) At the first Extraordinary General Meeting of the Bank held on February 9, 2015, Zhang Luyun was appointed as executive director of the Bank; Wang Yibing, Lou Ting, Wang Kefei and Wei Dongliang were appointed as non-executive directors of the Bank, and Dou Xiufang, Wang Shuifu, Tao Xuegen, Zhou Yongli and Zhang Xianfei were no longer non-executive directors of the Bank; Tong Benli, Yuan Fang, Zheng Xinli, Dai Deming, Liu Pak Wai were appointed as independent non-executive directors of the Bank, and Chen Guoping, Qian Zihui and Xu Xinqiao were no longer independent non-executive directors of the Bank; Yu Jianqiang, Tao Xuegen, Zhou Yang, Zhang Xianfei, Yuan Xiaoqiang, Huang Zuhui, Wang Jun were appointed as supervisors of the Bank, and Lu Weiding, Zhong Zhexiao, Yan Jianwen, Wang Hua, Zhou Jiansong and Feng Disheng were no longer supervisors of the Bank. On the same date, Zheng Jianming and Zhang Rulong were appointed as employee supervisors by the Bank's staff through election; Yu Peixiang and Shen Lirong were no longer employee supervisors.

The above total compensation packages for the directors and supervisors for the nine months ended September 30, 2015 have not been finalized in accordance with relevant regulations of the PRC authorities. Management of the Bank believes that difference between the final emoluments and that disclosed above will not have significant impact on the financial information of the Bank. Upon determination, the final compensation will be disclosed in a separate announcement.

10 EMOLUMENTS OF DIRECTORS, SUPERVISORS AND THE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

For each of the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2014 and 2015, the five highest paid individuals in the Bank including 1 director and no supervisor, 1 director and no supervisor, 1 director and no supervisor, 1 director and no supervisor, no director and no supervisor, respectively.

The rest of the five highest paid individuals for the Relevant Periods are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Salaries and allowances and benefits	4,738	7,429	7,871	5,895	6,247
Discretionary bonuses	13,997	14,835	13,825	1,492	7,221
Contribution to pension schemes	131	127	159	117	378
	18,866	22,391	21,855	7,504	13,846

The emoluments fell within the following bands:

	Number of Individuals				
	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
RMB 500,001 – RMB 1,000,000	—	—	—	—	—
RMB 1,000,001 – RMB 1,500,000	—	—	—	2	—
RMB 1,500,001 – RMB 2,000,000	—	—	—	—	1
RMB 2,000,001 – RMB 2,500,000	—	—	—	1	2
RMB 2,500,001 – RMB 3,000,000	—	—	—	1	1
RMB 3,000,001 – RMB 3,500,000	—	—	—	—	—
RMB 3,500,001 – RMB 4,000,000	1	1	—	—	—
RMB 4,000,001 – RMB 4,500,000	—	—	2	—	—
RMB 4,500,001 – RMB 5,000,000	2	1	—	—	1
RMB 5,000,001 – RMB 5,500,000	1	—	1	—	—
RMB 5,500,001 – RMB 6,000,000	—	—	—	—	—
RMB 6,000,001 – RMB 6,500,000	—	—	—	—	—
RMB 6,500,001 – RMB 7,000,000	—	1	—	—	—
RMB 7,000,001 – RMB 7,500,000	—	1	—	—	—
RMB 7,500,001 – RMB 8,000,000	—	—	—	—	—
RMB 8,000,001 – RMB 8,500,000	—	—	1	—	—

No emoluments had been paid or payable by the Bank to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Bank or as compensation for loss of office.

11 IMPAIRMENT LOSSES ON ASSETS

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Loans and advances to customers (Note 18(b))					
—Collectively assessed	920,023	1,105,485	2,899,704	1,187,739	2,686,432
—Individually assessed	141,851	593,251	1,380,400	744,285	1,562,776
Debt instruments classified as receivables	—	—	290,531	244,400	478,858
Others	1,107	4,415	5,621	1,567	12,365
Total	1,062,981	1,703,151	4,576,256	2,177,991	4,740,431

12 INCOME TAX EXPENSE

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Current income tax	1,494,820	1,833,129	2,307,542	1,698,790	2,441,354
Deferred income tax (Note 21)	(161,959)	(212,940)	(610,812)	(216,826)	(573,231)
Total	1,332,861	1,620,189	1,696,730	1,481,964	1,868,123

Current income tax is calculated based on the statutory rate of 25% of the assessable income of the Bank for the respective years/periods.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Profit before income tax	5,358,556	6,521,438	6,792,233	5,927,431	7,505,083
Tax calculated at a tax rate of 25%	1,339,639	1,630,360	1,698,058	1,481,858	1,876,271
Tax effect arising from income not subject to tax[(i)]	(25,260)	(22,475)	(21,258)	(14,067)	(36,978)
Tax effect of expenses that are not deductible for tax purposes[(ii)]	18,482	12,304	19,930	14,173	28,830
Income tax expense	1,332,861	1,620,189	1,696,730	1,481,964	1,868,123

(i) The income not subject to tax mainly represents interest income arising from treasury bonds, which is income tax free in accordance with the PRC tax regulations.

(ii) The expenses that are not tax deductible for tax purposes mainly represent certain expenditures, such as entertainment expenses and so forth, which exceed the tax deduction limits pursuant to the relevant PRC tax regulations.

13 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the years/periods.

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Net profit attributable to shareholders of the Bank (in RMB thousands)	4,025,695	4,901,249	5,095,503	4,445,467	5,636,960
Weighted average number of ordinary shares in issue (in thousands)	10,006,872	10,865,777	11,506,872	11,506,872	12,540,812
Basic earnings per share (in RMB yuan)	0.40	0.45	0.44	0.39	0.45

(b) Diluted earnings per share

For the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2014 and 2015, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

14 CASH AND BALANCES WITH CENTRAL BANK

	December 31,			September 30,
	2012	2013	2014	2015
Cash	238,084	229,969	205,487	247,885
Mandatory reserve deposits with central bank(i)	45,767,217	53,327,421	62,963,143	77,082,566
Surplus reserve deposits with central bank(ii)	15,012,032	10,797,498	12,257,068	7,070,625
Fiscal deposits	342	871	1,302	4,048
Total	61,017,675	64,355,759	75,427,000	84,405,124

(i) The Bank is required to place mandatory reserve deposits with the People's Bank of China ("PBOC").These mandatory reserve are not available for use in the daily business of the Bank.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the mandatory reserve deposit rates of the Bank were as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Mandatory reserve rate for deposits denominated in RMB	18%	18%	18%	16%
Mandatory reserve rate for deposits denominated in foreign currencies	5%	5%	5%	5%

(ii) Surplus reserve deposits maintained with the PBOC are mainly for settlement purpose.

15 DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31,			September 30,
	2012	2013	2014	2015
Deposits with banks and other financial institutions	39,222,517	39,785,581	43,938,403	37,342,588
Placements with banks and other financial institutions	12,618,404	15,116,854	8,474,424	2,131,931
Notes purchased under resale agreements(i)	59,467,686	91,975,099	39,571,022	41,948,860
Securities purchased under resale agreements	—	2,456,360	1,251,864	29,387,737
Loans purchased under resale agreements	6,417,240	4,831,000	—	—
Other financial assets purchased under resale agreements	—	4,355,944	450,000	—
Total	117,725,847	158,520,838	93,685,713	110,811,116

(i) As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balances of the notes purchased under resale agreements which were then pledged as the collateral under repurchase agreement were RMB 10,776,190 thousand, RMB 4,227,920 thousand, RMB 1,824,924 thousand and RMB 999,304 thousand respectively.

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31,			September 30,
	2012	2013	2014	2015
Government bonds				
—Listed outside Hong Kong	—	—	567,208	1,331,138
Other debt securities				
—Listed outside Hong Kong	1,659,339	2,176,663	3,623,613	7,368,053
Total	1,659,339	2,176,663	4,190,821	8,699,191

As of December 31, 2012, 2013 and 2014 and September 30, 2015, all financial assets at fair value through profit or loss of the Bank are held for trading.

As of December 31, 2013, financial assets at fair value through profit or loss of RMB 250,000 thousand in total were pledged to financial institutions under repurchase agreements; in addition, as of December 31, 2012, December 31, 2014 and September 30, 2015, no financial assets at fair value through profit or loss were pledged to other banks under any repurchase agreements.

Debt securities traded within China domestic interbank bond market are included under the category of "Listed outside Hong Kong".

Financial assets at fair value through profit or loss analyzed by categories of the issuer are as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Debt securities				
Issuers in the PRC				
—Government	—	—	567,208	1,331,138
—Banks and other financial institutions	907,493	421,424	899,392	3,114,120
—Corporates	751,846	1,755,239	2,724,221	4,253,933
Total	1,659,339	2,176,663	4,190,821	8,699,191

17 DERIVATIVE FINANCIAL INSTRUMENTS

Below listed the nominal value and fair value of derivative financial instruments held for trading:

	Nominal value	Fair value	
		Asset	Liability
December 31, 2012			
Foreign exchange forwards and swap	1,686,880	7,839	(6,059)
Currency and interest rate swap	—	—	—
Total	1,686,880	7,839	(6,059)
December 31, 2013			
Foreign exchange forwards and swap	184,942	777	(2,132)
Currency and interest rate swap	2,649,162	49,907	(52,052)
Total	2,834,104	50,684	(54,184)
December 31, 2014			
Foreign exchange forwards and swap	12,913,740	30,037	(119,741)
Currency and interest rate swap	20,882,927	83,415	(87,208)
Total	33,796,667	113,452	(206,949)
September 30, 2015			
Foreign exchange forwards and swap	34,631,106	232,680	(192,266)
Currency and interest rate swap	63,828,667	59,417	(184,502)
Option contract	2,447,484	5,436	(4,259)
Total	100,907,257	297,533	(381,027)

18 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	December 31,			September 30,
	2012	2013	2014	2015
Corporate loans and advances				
—Loans and advances	141,543,906	170,690,122	194,148,826	235,220,161
—Discounted bills	5,840,094	3,516,342	12,802,972	44,293,985
Subtotal	147,384,000	174,206,464	206,951,798	279,514,146
Personal loans and advances				
—Personal business	33,909,593	42,049,806	51,263,547	57,415,260
—Residential mortgage loans	665,015	595,097	659,646	1,821,560
—Others	347,021	285,951	147,653	386,703
Subtotal	34,921,629	42,930,854	52,070,846	59,623,523
Total	182,305,629	217,137,318	259,022,644	339,137,669
Less: allowance for impairment losses				
—Collectively assessed	(3,326,344)	(4,230,275)	(6,126,006)	(8,207,434)
—Individually assessed	(239,109)	(336,060)	(584,202)	(1,204,296)
Total	(3,565,453)	(4,566,335)	(6,710,208)	(9,411,730)
Loans and advances to customers-net	178,740,176	212,570,983	252,312,436	329,725,939

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Movements on allowance for losses on loans and advances to customers listed by assessment method

	December 31,						September 30,	
	2012		2013		2014		2015	
	Collective impairment	Individual impairment	Collective impairment	Individual impairment	Collective impairment	Individual impairment	Collective impairment	Individual impairment
Balance at beginning of the year/period	2,422,191	136,564	3,326,344	239,109	4,230,275	336,060	6,126,006	584,202
Net impairment allowances charged to profit or loss (Note 11)	920,023	141,851	1,105,485	593,251	2,899,704	1,380,400	2,686,432	1,562,776
Unwinding of discount on allowance	(4,681)	(14,904)	(9,839)	(19,293)	(21,283)	(23,742)	(30,765)	(43,717)
Write-offs	(10,944)	(24,402)	(87,913)	(99,749)	(363,242)	(134,167)	(384,212)	(415,241)
Transfer out	—	—	(110,617)	(377,252)	(628,022)	(975,013)	(214,814)	(515,969)
Recoveries	—	—	7,312	104	7,244	664	23,194	32,245
Exchange differences	(245)	—	(497)	(110)	1,330	—	1,593	—
Balance at end of the year/period	3,326,344	239,109	4,230,275	336,060	6,126,006	584,202	8,207,434	1,204,296

(c) Movements on allowance for losses on loans and advances to customers listed by customer category

	December 31,						September 30,	
	2012		2013		2014		2015	
	Corporate loans and advances	Personal loans and advances	Corporate loans and advances	Personal loans and advances	Corporate loans and advances	Personal loans and advances	Corporate loans and advances	Personal loans and advances
Balance at beginning of the year/period	2,082,283	476,472	2,918,241	647,212	3,693,985	872,350	5,413,168	1,297,040
Net impairment allowances charged to profit or loss	888,976	172,898	1,442,709	256,027	3,633,858	646,246	3,878,146	371,062
Unwinding of discount on allowance	(17,427)	(2,158)	(23,351)	(5,781)	(35,020)	(10,005)	(64,095)	(10,387)
Write-offs	(35,346)	—	(162,554)	(25,108)	(281,499)	(215,910)	(638,382)	(161,071)
Transfer out	—	—	(487,869)	—	(1,603,035)	—	(730,783)	—
Recoveries	—	—	7,416	—	3,549	4,359	41,845	13,594
Exchange differences	(245)	—	(607)	—	1,330	—	1,593	—
Balance at end of the year/period	2,918,241	647,212	3,693,985	872,350	5,413,168	1,297,040	7,901,492	1,510,238

18 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Loans listed by assessment method for allowance

December 31, 2012

	Loans and advances for which allowance is collectively assessed[(i)]	Identified impaired loans and advances[(ii)] for which allowance is collectively assessed	Identified impaired loans and advances[(ii)] for which allowance is individually assessed	Subtotal	Total
Corporate loans and advances	146,610,506	124,677	648,817	773,494	147,384,000
Personal loans and advances	34,850,024	71,605	—	71,605	34,921,629
Allowance for impairment losses	(3,253,776)	(72,568)	(239,109)	(311,677)	(3,565,453)
Loans and advances to customers, net	178,206,754	123,714	409,708	533,422	178,740,176

December 31, 2013

	Loans and advances for which allowance is collectively assessed[(i)]	Identified impaired loans and advances[(ii)] for which allowance is collectively assessed	Identified impaired loans and advances[(ii)] for which allowance is individually assessed	Subtotal	Total
Corporate loans and advances	173,016,937	256,367	933,160	1,189,527	174,206,464
Personal loans and advances	42,733,598	197,256	—	197,256	42,930,854
Allowance for impairment losses	(4,088,637)	(141,638)	(336,060)	(477,698)	(4,566,335)
Loans and advances to customers, net	211,661,898	311,985	597,100	909,085	212,570,983

December 31, 2014

	Loans and advances for which allowance is collectively assessed[(i)]	Identified impaired loans and advances[(ii)] for which allowance is collectively assessed	Identified impaired loans and advances[(ii)] for which allowance is individually assessed	Subtotal	Total
Corporate loans and advances	205,022,282	542,522	1,386,994	1,929,516	206,951,798
Personal loans and advances	51,709,883	360,963	—	360,963	52,070,846
Allowance for impairment losses	(5,811,374)	(314,632)	(584,202)	(898,834)	(6,710,208)
Loans and advances to customers, net	250,920,791	588,853	802,792	1,391,645	252,312,436

September 30, 2015

	Loans and advances for which allowance is collectively assessed[(i)]	Identified impaired loans and advances[(ii)] for which allowance is collectively assessed	Identified impaired loans and advances[(ii)] for which allowance is individually assessed	Subtotal	Total
Corporate loans and advances	275,820,707	1,096,168	2,597,271	3,693,439	279,514,146
Personal loans and advances	59,181,927	441,596	—	441,596	59,623,523
Allowance for impairment losses	(7,560,964)	(646,470)	(1,204,296)	(1,850,766)	(9,411,730)
Loans and advances to customers, net	327,441,670	891,294	1,392,975	2,284,269	329,725,939

(i) Loans and advances for which allowance is collectively assessed consist of loans and advances which have not been identified as impaired.

(ii) Identified impaired loans and advances include loans for which objective evidence of impairment exists and have been identified as bearing impairment losses, which are measured either individually or collectively.

19 FINANCIAL INVESTMENTS

	December 31,			September 30,
	2012	2013	2014	2015
Available-for-sale financial assets				
Listed outside Hong Kong				
—Debt securities	6,096,176	6,972,374	24,209,664	40,336,325
—Interbank certificates of deposit	—	—	3,833,788	1,287,967
Unlisted				
—Equity securities	25,000	25,000	25,000	25,000
Total	6,121,176	6,997,374	28,068,452	41,649,292
Held-to-maturity investments				
Listed outside Hong Kong				
—Debt securities	13,594,391	18,014,785	18,693,282	27,437,080
Debt instruments classified as receivables				
Unlisted				
—Debt securities	—	400,000	1,100,000	650,000
—Wealth management products sponsored by banks	6,452,382	5,413,622	80,329,359	198,061,328
—Trust plans and asset management plans sponsored by other financial institutions(i)	3,982,900	13,745,130	76,519,926	189,109,101
—Interbank forfaiting(ii)	—	—	32,045,537	3,802,211
Total	10,435,282	19,558,752	189,994,822	391,622,640
Less: Allowance for impairment losses	—	—	(290,531)	(769,388)
Debt instruments classified as receivables— Net	10,435,282	19,558,752	189,704,291	390,853,252

Debt securities traded within China domestic interbank bond market are included under the category of "Listed outside Hong Kong".

(i) Trust schemes and asset management plans by security type:

	December 31,			September 30,
	2012	2013	2014	2015
Purchased from trust or securities companies				
Guaranteed by bank credit	—	—	23,972,941	75,746,293
Guaranteed by third-party companies	—	—	18,360,000	26,705,100
Pledged by certificates of deposit	—		14,859,313	61,036,085
Guaranteed by non-bank financial institutions	—	—	300,000	8,047,518
Collateralized by properties	3,982,900	—	3,080,000	5,795,270
Unsecured	—	—	4,930,002	5,290,850
Purchased from commercial banks				
Guaranteed by third-party banks	—	13,745,130	11,017,670	6,487,985
Total	3,982,900	13,745,130	76,519,926	189,109,101

(ii) Interbank forfaiting are receivables bought by the Bank from the designated negotiating bank under negotiable domestic deferred payment letters of credit. The receivables will be paid irrevocably and unconditionally by the issuing bank of letters of credit on due date.

19 FINANCIAL INVESTMENTS (Continued)

Financial investments are analyzed by issuer as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Available-for-sale financial assets				
By issuer:				
—Government	649,303	—	3,902,127	9,070,206
—Banks and other financial institutions	5,294,751	6,028,813	18,112,882	27,075,263
—Corporates	152,122	943,561	6,028,443	5,478,823
Subtotal	6,096,176	6,972,374	28,043,452	41,624,292
Equity securities	25,000	25,000	25,000	25,000
Total	6,121,176	6,997,374	28,068,452	41,649,292
Held-to-maturity investments				
By issuer:				
—Government	3,124,851	2,225,797	2,476,092	11,142,766
—Banks and other financial institutions	10,319,626	15,439,078	15,967,190	16,044,314
—Corporates	149,914	349,910	250,000	250,000
Total	13,594,391	18,014,785	18,693,282	27,437,080
Debt instruments classified as receivables				
By issuer:				
—Wealth management products sponsored by other banks	6,452,382	5,413,622	80,329,359	198,061,328
—Trusts and asset management plans sponsored by non-bank financial institutions	3,982,900	13,745,130	76,519,926	189,109,101
—Other products sponsored by other banks and non-bank financial institutions	—	400,000	32,445,537	4,202,211
—Private bonds sponsored by corporates	—	—	700,000	250,000
Total	10,435,282	19,558,752	189,994,822	391,622,640
Less: Allowance for impairment losses	—	—	(290,531)	(769,388)
Debt instruments classified as receivables—Net	10,435,282	19,558,752	189,704,291	390,853,252

Net gains/ (losses) on financial investments:

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Net gains/ (losses) arising from de-recognition of available-for-sale	6,837	(3,165)	41,962	22,092	315,114

20 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Motor vehicles	Construction in progress	Total
Cost					
At January 1, 2012	1,006,166	298,696	87,448	24,735	1,417,045
Additions	21,937	73,522	15,823	145,658	256,940
Disposals	(706)	(1,481)	(1,977)	—	(4,164)
Other transfer out	—	—	—	(2,903)	(2,903)
At December 31, 2012	1,027,397	370,737	101,294	167,490	1,666,918
Accumulated depreciation					
At January 1, 2012	(176,265)	(105,081)	(43,949)	—	(325,295)
Charge for the year	(36,898)	(40,271)	(13,647)	—	(90,816)
Disposals	255	42	1,878	—	2,175
At December 31, 2012	(212,908)	(145,310)	(55,718)	—	(413,936)
Net book value					
At December 31, 2012	814,489	225,427	45,576	167,490	1,252,982
Cost					
At January 1, 2013	1,027,397	370,737	101,294	167,490	1,666,918
Additions	60,949	54,192	15,132	130,817	261,090
Transfer in/(out)	118,767	338	—	(119,105)	—
Disposals	—	(367)	(4,871)	—	(5,238)
Other transfer out	—	—	—	(12,456)	(12,456)
At December 31, 2013	1,207,113	424,900	111,555	166,746	1,910,314
Accumulated depreciation					
At January 1, 2013	(212,908)	(145,310)	(55,718)	—	(413,936)
Charge for the year	(40,669)	(48,666)	(14,731)	—	(104,066)
Disposals	—	348	4,380	—	4,728
At December 31, 2013	(253,577)	(193,628)	(66,069)	—	(513,274)
Net book value					
At December 31, 2013	953,536	231,272	45,486	166,746	1,397,040
Cost					
At January 1, 2014	1,207,113	424,900	111,555	166,746	1,910,314
Additions	10,910	101,295	10,122	423,995	546,322
Transfer in/(out)	—	466	—	(466)	—
Disposals	—	(2,243)	(2,767)	—	(5,010)
Other transfer out	—	—	—	(3,794)	(3,794)
At December 31, 2014	1,218,023	524,418	118,910	586,481	2,447,832
Accumulated depreciation					
At January 1, 2014	(253,577)	(193,628)	(66,069)	—	(513,274)
Charge for the year	(45,370)	(54,331)	(15,022)	—	(114,723)
Disposals	—	2,116	2,558	—	4,674
At December 31, 2014	(298,947)	(245,843)	(78,533)	—	(623,323)
Net book value					
At December 31, 2014	919,076	278,575	40,377	586,481	1,824,509

20 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings	Equipment	Motor vehicles	Construction in progress	Total
Cost					
At January 1, 2015	1,218,023	524,418	118,910	586,481	2,447,832
Additions	205	35,776	12,049	118,722	166,752
Transfer in/(out)	—	—	—	—	—
Disposals	—	(1,155)	(5,415)	—	(6,570)
Other transfer out	—	—	—	—	—
At September 30, 2015	1,218,228	559,039	125,544	705,203	2,608,014
Accumulated depreciation					
At January 1, 2015	(298,947)	(245,843)	(78,533)	—	(623,323)
Charge for the period	(32,614)	(46,534)	(10,621)	—	(89,769)
Disposals	—	995	3,277	—	4,272
At September 30, 2015	(331,561)	(291,382)	(85,877)	—	(708,820)
Net book value					
At September 30, 2015	886,667	267,657	39,667	705,203	1,899,194

All buildings of the Bank are located outside Hong Kong. The net book value of the buildings are analyzed based on the remaining lease terms of the leasehold lands on which the buildings are located as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Held outside Hong Kong:				
on medium-term lease (10-50 years)	757,237	894,892	863,876	837,618
on short-term lease (less than 10 years)	57,252	58,644	55,200	49,049
Total	814,489	953,536	919,076	886,667

21 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset income tax assets against income tax liabilities and when the deferred income taxes related to income taxes levied by the same taxation authority. The movements for deferred tax assets and liabilities recognized are as follows:

	At January 1, 2012	Charged to profit or loss	Charged to other comprehensive income	At December 31, 2012
Deferred income tax assets:				
Impairment allowances for assets	230,222	148,533	—	378,755
Staff Salary and welfare payable	77,701	21,490	—	99,191
Fair value changes of financial assets at fair value through profit or loss	—	144	—	144
Fair value changes of derivative instruments	9,050	(9,050)	—	—
Fair value changes of financial assets available for sale	960	—	253	1,213
Others	11	(3)	—	8
Subtotal	317,944	161,114	253	479,311

21 DEFERRED INCOME TAXES (Continued)

The movements for deferred tax assets and liabilities recognized are as follows (Continued):

	At January 1, 2012	Charged to profit or loss	Charged to other comprehensive income	At December 31, 2012
Deferred income tax liabilities:				
Fair value changes of financial assets at fair value through profit or loss	(1,290)	1,290	—	—
Fair value changes of derivative instruments	—	(445)	—	(445)
Subtotal	(1,290)	845	—	(445)
Net deferred income tax	316,654	161,959	253	478,866

	At January 1, 2013	Charged to profit or loss	Charged to other comprehensive income	At December 31, 2013
Deferred income tax assets:				
Impairment allowances for assets	378,755	162,743	—	541,498
Staff Salary and welfare payable	99,191	42,767	—	141,958
Fair value changes of financial assets at fair value through profit or loss	144	4,835	—	4,979
Fair value changes of derivative instruments	—	875	—	875
Fair value changes of financial assets available for sale	1,213	—	30,717	31,930
Others	8	1,275	—	1,283
Subtotal	479,311	212,495	30,717	722,523
Deferred income tax liabilities:				
Fair value changes of derivative instruments	(445)	445	—	—
Net deferred income tax	478,866	212,940	30,717	722,523

	At January 1, 2014	Charged to profit or loss	Charged to other comprehensive income	At December 31, 2014
Deferred income tax assets:				
Impairment allowances for assets	541,498	442,647	—	984,145
Staff Salary and welfare payable	141,958	160,250	—	302,208
Fair value changes of financial assets at fair value through profit or loss	4,979	(4,979)	—	—
Fair value changes of derivative instruments	875	22,499	—	23,374
Fair value changes of financial assets available for sale	31,930	—	(31,930)	—
Others	1,283	(1,214)	—	69
Subtotal	722,523	619,203	(31,930)	1,309,796
Deferred income tax liabilities:				
Fair value changes of financial assets at fair value through profit or loss	—	(8,391)	—	(8,391)
Fair value changes of derivative instruments	—	—	—	—
Fair value changes of financial assets available for sale	—	—	(50,127)	(50,127)
Subtotal	—	(8,391)	(50,127)	(58,518)
Net deferred income tax	722,523	610,812	(82,057)	1,251,278

21 DEFERRED INCOME TAXES (Continued)

The movements for deferred tax assets and liabilities recognized are as follows (Continued):

	At January 1, 2015	Charged to profit or loss	Charged to other comprehensive income	At September 30, 2015
Deferred income tax assets:				
Impairment allowances for assets	984,145	606,692	—	1,590,837
Staff Salary and welfare payable	302,208	(12,668)	—	289,540
Fair value changes of derivative instruments	23,374	(2,501)	—	20,873
Others	69	2,021	—	2,090
Subtotal	1,309,796	593,544	—	1,903,340
Deferred income tax liabilities:				
Fair value changes of financial assets at fair value through profit or loss	(8,391)	(9,430)	—	(17,821)
Fair value changes of financial assets available for sale	(50,127)	—	(59,868)	(109,995)
Others	—	(10,883)	—	(10,883)
Subtotal	(58,518)	(20,313)	(59,868)	(138,699)
Net deferred income tax	1,251,278	573,231	(59,868)	1,764,641

22 OTHER ASSETS

	December 31, 2012	December 31, 2013	December 31, 2014	September 30, 2015
Interest receivable[(i)]	1,236,208	2,125,666	3,330,026	4,459,717
Guaranteed deposits paid	24,851	24,701	24,701	24,826
Funds to be settled	556,950	418,883	64,535	265,542
Advance payments	200,267	181,983	123,059	178,031
Other receivables	53,184	50,206	214,725	673,791
Less: impairment allowance	(24,675)	(24,311)	(25,855)	(29,811)
Foreclosed assets	—	—	11,820	33,960
Long-term prepaid expenses	245,220	292,619	316,914	290,945
Land use rights[(ii)]	416,571	405,215	393,859	385,342
Intangible assets[(iii)]	94,772	110,328	128,896	132,915
Others	2,349	166,303	103,532	357,157
Total	2,805,697	3,751,593	4,686,212	6,772,415

(i) Interest receivable

	December 31, 2012	December 31, 2013	December 31, 2014	September 30, 2015
Due from banks, other financial institutions, and central bank	483,764	921,086	1,272,258	873,773
Financial investments and financial assets at fair value through profit or loss	346,103	681,889	1,435,727	2,877,107
Loans and advances to customers	406,341	522,691	622,041	708,837
	1,236,208	2,125,666	3,330,026	4,459,717

22 OTHER ASSETS (Continued)

(ii) Land use rights

	December 31, 2012	December 31, 2013	December 31, 2014	September 30, 2015
Cost				
Balance at beginning of the year/period	341,274	437,162	437,162	437,162
Additions	95,888	—	—	—
Balance at end of the year/period	437,162	437,162	437,162	437,162
Accumulated amortization				
Beginning of the year/period	(9,645)	(20,591)	(31,947)	(43,303)
Additions	(10,946)	(11,356)	(11,356)	(8,517)
End of the year/period	(20,591)	(31,947)	(43,303)	(51,820)
Net book value				
End of the year/period	416,571	405,215	393,859	385,342

The net book value of land use rights is analyzed based on the remaining terms of the leases as follows:

	December 31, 2012	December 31, 2013	December 31, 2014	September 30, 2015
Held outside Hong Kong				
-on medium-term lease (10-50 years)	416,571	405,215	393,859	385,342

(iii) Intangible assets

Intangible assets of the Bank are mainly computer software.

	December 31, 2012	December 31, 2013	December 31, 2014	September 30, 2015
Cost				
Balance at beginning of the year/period	125,118	147,981	179,389	216,703
Additions	22,863	31,408	37,314	20,275
Balance at end of the year/period	147,981	179,389	216,703	236,978
Accumulated amortization				
Balance at beginning of the year/period	(40,164)	(53,209)	(69,061)	(87,807)
Additions	(13,045)	(15,852)	(18,746)	(16,256)
Balance at end of the year/period	(53,209)	(69,061)	(87,807)	(104,063)
Net book value				
End of the year/period	94,772	110,328	128,896	132,915

23 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2012	December 31, 2013	December 31, 2014	September 30, 2015
Deposits from banks and other financial institutions	62,160,511	109,983,573	185,755,160	313,310,195
Placements from banks and other financial institutions	10,446,892	3,459,460	5,780,519	2,006,218
Notes sold under repurchase agreements	10,694,608	4,182,756	3,388,502	4,514,517
Bonds sold under repurchase agreements	8,442,000	9,716,520	20,074,000	24,908,862
Total	91,744,011	127,342,309	214,998,181	344,739,792

24 CUSTOMER DEPOSITS

	December 31, 2012	December 31, 2013	December 31, 2014	September 30, 2015
Corporate demand deposits	99,255,050	116,860,243	125,004,100	164,484,716
Corporate time deposits	138,689,162	173,086,477	211,916,613	308,177,816
Individual demand deposits	4,732,123	5,217,654	5,296,571	3,525,773
Individual time deposits	17,276,778	17,889,900	17,446,872	15,721,024
Other deposits	6,934,806	6,740,503	3,615,732	8,435,766
Total	266,887,919	319,794,777	363,279,888	500,345,095
Including: Pledged deposits held as collateral	33,384,086	36,348,775	53,490,291	74,652,647

25 DEBT SECURITIES ISSUED

	December 31, 2012	December 31, 2013	December 31, 2014	September 30, 2015
Fixed rate subordinated debts—2019[(i)]	1,200,000	1,200,000	—	—
Fixed rate subordinated debts—2021[(ii)]	3,250,000	3,250,000	3,250,000	3,250,000
Fixed rate financial bonds—2018[(iii)]	—	1,500,000	1,500,000	1,500,000
Fixed rate financial bonds—2019[(iv)]	—	—	4,500,000	4,500,000
Interbank certificates of deposit	—	—	38,648,057	86,197,595
Total	4,450,000	5,950,000	47,898,057	95,447,595

(i) Fixed-rate subordinated debts of RMB 1.2 billion was issued on May 26, 2009, with a maturity of 10 years and a fixed coupon rate of 5.0% per annum for the first five years payable annually, and up to 8.0% per annum from the sixth year payable annually. The Bank has exercised the redemption right to redeem all the debts of RMB 1.2 billion at the face value on May 27, 2014.

(ii) Fixed-rate subordinated debt of RMB 3.25 billion was issued on November 25, 2011, with a maturity of 10 years and a fixed coupon rate of 6.5% per annum payable annually. The Bank has an option to redeem all the debts at face value on November 28, 2016.

(iii) Fixed-rate financial bond of RMB 1.5 billion was issued on September 11, 2013, with a maturity of 5 years and a fixed coupon rate of 5.0% per annum payable annually. The Bank has no option to redeem the bond before maturity.

(iv) Fixed-rate financial bond of RMB 4.5 billion was issued on March 10, 2014, with a maturity of 5 years and a fixed coupon rate of 5.7% per annum payable annually. The Bank has no option to redeem the bond before maturity.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, there are no defaults on principal and interest or other breaches to the agreements with respect to the debts, bonds or interbank certificates of deposit.

26 OTHER LIABILITIES

	December 31,			September 30,
	2012	2013	2014	2015
Interest payable(i)	2,895,954	4,321,513	6,742,522	9,047,043
Salary and welfare payable(ii)	910,883	1,318,102	1,958,166	2,425,359
Placing of shares to a shareholder(iii)	3,090,000	—	—	—
Dividends payable	1,662	68,302	41,594	41,594
Deferred income	5,583	46,133	30,810	4,324
Sundry tax payables	230,136	265,488	304,847	370,602
Settlement fund	203,006	255,627	43,093	1,885,438
Promissory note and certified check issued	67,235	174,273	375,966	1,450
Others	80,633	114,790	91,872	151,114
Total	7,485,092	6,564,228	9,588,870	13,926,924

(i) Interest payable

	December 31,			September 30,
	2012	2013	2014	2015
Customer Deposits	2,288,362	3,569,136	5,002,964	6,219,621
Due to banks and other financial institutions	550,676	683,599	1,502,940	2,459,843
Debt securities issued	56,916	68,778	236,618	367,579
Total	2,895,954	4,321,513	6,742,522	9,047,043

(ii) Salary and welfare payable

	December 31,			September 30,
	2012	2013	2014	2015
Salary, bonus, and allowance	870,585	1,266,822	1,901,456	2,391,552
Employee benefits	28,273	28,244	28,244	—
Labor union fee and staff education expenses	12,025	23,036	28,466	33,807
Total	910,883	1,318,102	1,958,166	2,425,359

(iii) Placing of shares to a shareholder

Pursuant to a resolution of the Extraordinary General Meeting approved on September 26, 2012, the Bank resolved to place additional shares to Zhejiang Province Financial Development Company ("ZFDC") by the shareholders of the Bank in a total amount of RMB 3,090,000,000. The share issuance was approved by the relevant authorities on April 27, 2013.

27 SHARE CAPITAL AND CAPITAL RESERVE

All shares of the Bank issued are fully paid common shares, with par value of RMB 1 per share. The Bank's number of shares is as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Number of shares authorized, issued and fully paid at par value (in thousands)	10,006,872	11,506,872	11,506,872	14,509,697

Generally, transactions of the following nature are recorded in the capital reserve:

- Share premium arising from the issuance of shares at prices in excess of their par value;
- Donations received from shareholders; and
- Any other items required by the PRC regulations.

Capital reserve can be utilized for increasing paid-in capital as approved by the shareholders.

27 SHARE CAPITAL AND CAPITAL RESERVE (Continued)

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the Bank's capital reserve is shown as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Share premium(i)	4,945,858	6,535,858	6,535,858	12,181,167

(i) In 2013, 1,500,000,000 ordinary shares with a par value of RMB 1 were issued at RMB 2.06 per share and the capital injection was a private placement to ZFDC. The premium arising from the issuance of new shares amounting to RMB 1,590,000,000 was recorded in "capital reserve". PricewaterhouseCoopers Zhong Tian CPAs Limited Company verified the capital injection, and issued the capital verification report (PwC ZT Yan Zi 2013.No.297) on May 16, 2013.

In 2015, 3,002,824,347 ordinary shares with a par value of RMB 1 were issued at RMB 2.88 per share. The premium arising from the issuance of new shares amounting to RMB 5,645,309,773 was recorded in "capital reserve". PricewaterhouseCoopers Zhong Tian LLP verified the capital injection, and issued the capital verification report (PwC ZT Yan Zi 2015.No.1050) on June 30, 2015.

28 SURPLUS RESERVE AND STATUTORY GENERAL RESERVE

	Surplus reserve (i)	Statutory general reserve (ii)
Balance at January 1, 2012	667,778	2,030,891
Appropriation to statutory surplus reserve	402,569	—
Appropriation to statutory general reserve	—	—
Balance at December 31, 2012	1,070,347	2,030,891
Balance at January 1, 2013	1,070,347	2,030,891
Appropriation to statutory surplus reserve	490,125	—
Appropriation to statutory general reserve	—	1,814,468
Balance at December 31, 2013	1,560,472	3,845,359
Balance at January 1, 2014	1,560,472	3,845,359
Appropriation to statutory surplus reserve	509,550	—
Appropriation to statutory general reserve	—	794,131
Balance at December 31, 2014	2,070,022	4,639,490
Balance at January 1, 2015	2,070,022	4,639,490
Appropriation to statutory surplus reserve	—	—
Appropriation to statutory general reserve	—	3,601,768
Balance at September 30, 2015	2,070,022	8,241,258

(i) Surplus reserve

Pursuant to the relevant PRC regulations, the Bank is required to transfer 10% of its net profit to the non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of this reserve has reached 50% of share capital. Subject to the approval of general meeting of shareholders, the statutory surplus reserve can be used for replenishing accumulated losses or increasing the Bank's ordinary share capital. The statutory surplus reserve amount used to increase the ordinary share capital is limited to a level where the balance of the statutory surplus reserve after such capitalization is not less than 25% of the ordinary share capital.

(ii) Statutory general reserve

Pursuant to Caijin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirement"), effective on July 1, 2012, on the basis of impairment allowance, the Bank establishes a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The statutory general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement.

29 INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax charge	Net of tax
Balance at January 1, 2012	(3,842)	960	(2,882)
Fair value changes in available- for-sale	(7,849)	1,962	(5,887)
Less: Amounts previously recognized in other comprehensive income reclassified to profit or loss	6,837	(1,709)	5,128
Balance at December 31, 2012	(4,854)	1,213	(3,641)
Balance at January 1, 2013	(4,854)	1,213	(3,641)
Fair value changes in available- for-sale	(125,905)	31,476	(94,429)
Less: Amounts previously recognized in other comprehensive income reclassified to profit or loss	3,037	(759)	2,278
Balance at December 31, 2013	(127,722)	31,930	(95,792)
Balance at January 1, 2014	(127,722)	31,930	(95,792)
Fair value changes in available- for-sale	370,192	(92,548)	277,644
Less: Amounts previously recognized in other comprehensive income reclassified to profit or loss	(41,963)	10,491	(31,472)
Balance at December 31, 2014	200,507	(50,127)	150,380
Balance at January 1, 2015	200,507	(50,127)	150,380
Fair value changes in available- for-sale	553,752	(138,438)	415,314
Less: Amounts previously recognized in other comprehensive income reclassified to profit or loss	(314,280)	78,570	(235,710)
Balance at September 30, 2015	439,979	(109,995)	329,984

30 DIVIDENDS

	Year ended December 31,			Nine months ended September 30,
	2012	2013	2014	2015
Dividend declared during the year	2,001,374	2,800,000	—	—
Dividend per share (in RMB yuan)	0.20	0.28	—	—

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowances for the following:

- Making up prior year's cumulative losses, if any;
- Appropriation to the non-distributable statutory surplus reserve of 10% of the net profit of the Bank.

In accordance with the relevant regulations, after the Bank's initial public offering, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profit determined in accordance with the PRC banking regulations and (ii) the retained profit determined in accordance with IFRSs.

31 UNCONSOLIDATED STRUCTURED ENTITIES

(a) Unconsolidated structured entities managed by the Bank

The unconsolidated structure entities managed by the Bank are wealth management products sponsored and managed by the Bank acting as an agent. Based on the analysis and research of the potential target customers, the Bank designs and offers wealth management products to meet the needs of the customers. The raised funds were invested in relevant financial markets or financial products in accordance with the contractual term of the product agreements. Investment returns would be allocated to investors according to contractual agreements. The Bank receives commission income as the manager of these wealth management products. The Bank considered its variable returns from its involvement with the structured entities are insignificant and hence it does not consolidated these structured entities.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the balance of unconsolidated wealth management products sponsored and managed by the Bank in terms of size amounted to RMB46,337 million, RMB44,661 million, RMB41,642 million and RMB167,455 million respectively. The Bank's maximum exposure to these unconsolidated structured entities is represented by its management fees which amount is insignificant.

During the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the Bank did not provide financial or other support to these structured entities.

(b) Unconsolidated structured entities invested by the Bank

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the Bank invests in a number of unconsolidated structured entities mainly consisting of wealth management products, trust plans and the asset management plans sponsored and managed by other independent third parties. The principal amount and investment return of the wealth management products invested by the Bank are guaranteed by their sponsors.

During the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the Bank did not provide financial or other support to these structured entities.

The table below sets out the carrying value and the Bank's maximum exposure (including interest receivable) to these unconsolidated structured entities.

	Carrying value	Maximum exposure to loss
At December 31, 2012		
Debt instruments classified as receivables		
—Wealth management products sponsored by banks	6,452,382	6,452,382
—Trust plans and asset management plans	3,982,900	4,096,364
At December 31, 2013		
Debt instruments classified as receivables		
—Wealth management products sponsored by banks	5,413,622	5,413,622
—Trust plans and asset management plans	13,745,130	14,075,358
At December 31, 2014		
Debt instruments classified as receivables		
—Wealth management products sponsored by banks	80,329,359	80,329,359
—Trust plans and asset management plans	76,519,926	77,192,249
At September 30, 2015		
Debt instruments classified as receivables		
—Wealth management products sponsored by banks	198,061,328	198,061,328
—Trust plans and asset management plans	189,109,101	190,353,166

32 FINANCIAL GUARANTEE AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

(a) Financial guarantee and other credit commitments

	December 31,			September 30,
	2012	2013	2014	2015
Acceptances	48,047,935	49,350,387	76,790,857	115,856,624
Letters of credit issued	12,901,062	17,833,277	37,895,534	80,107,049
Letters of guarantee issued	10,140,596	14,078,415	31,078,253	41,932,683
Loan commitments	3,438,000	3,052,480	124,600	5,071,500
Unused credit card limit	—	—	—	1,882,251
Total	74,527,593	84,314,559	145,889,244	244,850,107

(b) Capital commitment

	December 31,			September 30,
	2012	2013	2014	2015
Authorized but not contracted	2,000	2,815	720	97,083
Contracted but not yet incurred	259,397	181,219	299,652	249,645
Total	261,397	184,034	300,372	346,728

(c) Operating leasing commitment

The future minimum lease payments under irrevocable rental contract are listed as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Within one year	238,612	427,876	317,327	347,561
Between one year and five years	975,626	1,064,827	1,241,128	1,086,236
More than five years	664,333	610,969	377,963	401,989
Total	1,878,571	2,103,672	1,936,418	1,835,786

(d) Legal proceedings

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the management of the Bank believes the legal proceedings initiated against the Bank would not have a material impact on the Bank's the financial position or operations.

33 ASSETS PLEDGED

	December 31,			September 30,
	2012	2013	2014	2015
Bonds	11,594,400	11,782,460	23,298,706	41,900,542
Bills	10,776,190	4,227,920	3,412,274	4,523,906
Total	22,370,590	16,010,380	26,710,980	46,424,448

Assets above are pledged as collateral mainly for the repurchase agreements with other financial institutions, the pledge business of treasury's cash management, entrusted loans business of foreign exchange.

34 CREDIT RISK-WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT RELATED COMMITMENTS

	December 31,			September 30,
	2012	2013	2014	2015
Financial guarantees and credit related commitments	30,917,393	32,541,133	45,304,473	69,843,694

The credit risk-weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100% for contingent liabilities and credit related commitments.

35 CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flow, cash and cash equivalents comprise the following balances with original maturities of less than three months used for the purpose of meeting short-term cash commitments:

	December 31,			September 30,
	2012	2013	2014	2015
Cash	238,084	229,969	205,487	247,885
Surplus deposit reserve with central bank	15,012,032	10,797,498	12,257,068	7,070,625
Deposits and placements with banks and other financial institutions	19,028,155	7,834,049	4,745,195	6,503,661
Total	34,278,271	18,861,516	17,207,750	13,822,171

36 RELATED PARTY TRANSACTIONS

Related party transactions of the Bank mainly refer to loans and deposits, which are proceeded in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(a) Transactions with ZFDC and ZFHL

	Shareholding Percentage (%)			
	December 31,			September 30,
Name of Shareholders	2012	2013	2014	2015
Zhejiang Province Financial Development Company	14.29	19.96	19.96	—
Zhejiang Provincial Financial Holdings Co., Ltd.	—	—	—	19.96

ZFDC is an entity wholly-owned and managed by Zhejiang Provincial Bureau of Finance. ZFDC is mainly engaged in the management of governmental funds of Zhejiang Province and equity investment of financial institutions. ZFDC transferred all its shares of the Bank to Zhejiang Provincial Financial Holdings Co., Ltd. ("ZFHL"), a wholly-owned subsidiary of ZFDC. The Bank completed the industrial and commercial registration of changes on August 31, 2015.

As of December 31, 2012, 2013 and 2014, the Bank had no balance of deposits from ZFDC. The amount of interest expense for ZFDC's deposits with the Bank for the years ended December 31, 2012, 2013 and 2014 were RMB 133,948 thousand, zero and zero respectively. As of September 30, 2015, the balance of ZFHL's deposits with the Bank was RMB 7,237,398 thousand. For the nine months ended September 30, 2015, the amount of interest expense for ZFHL's deposit with the Bank was RMB 12,649 thousand.

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other related parties

(i) The amounts and relevant interest rate spectrum of transactions with other shareholders (including their subsidiaries) who have influence over financial and operating policy are as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Loans and advances to customers	1,018,761	879,300	861,000	1,117,160
Customer deposits	270,098	9,290,767	2,896,254	6,901,869
Acceptances	100,020	20	90,020	71,570
Letters of guarantee	—	—	8,790	—

	December 31,			September 30,
	2012	2013	2014	2015
Loans and advances to customers	5.60%-7.87%	5.60%-7.22%	5.94%-6.60%	5.10%-6.99%
Customer deposits	0.39%-3.30%	0.39%-5.00%	0.42%-3.30%	0.35%-4.80%

	Year ended December 31,			Nine months ended September 30,
	2012	2013	2014	2015
Interest income	68,351	63,835	57,054	44,272
Interest expense	3,283	14,874	61,422	36,685
Fee and commission income	2,959	1,712	879	140

(ii) The amounts and relevant interest rate spectrum of transactions with the Bank's directors, supervisors and senior management and their family members are as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Loans and advances to customers	—	—	—	—
Customer deposits	10,916	3,380	8,974	2,560
Acceptances	—	—	—	—
Letters of guarantee	—	—	—	—

	December 31,			September 30,
	2012	2013	2014	2015
Loans and advances to customers	5.49%-6.56%	NA	NA	NA
Customer deposits	0.39%-5.10%	0.39%-5.10%	0.42%-5.10%	0.35%-5.10%

	Year ended December 31,			Nine months ended September 30,
	2012	2013	2014	2015
Interest income	32	—	—	—
Interest expense	123	59	34	22
Fee and commission income	1	1	—	1

In addition, Yongli Properties Group Limited, which is under control of the Bank's supervisor Zhou Yang's immediate family, provides two business occupancy rental services for Shaoxing Branch of the Bank: 1) the lease term starts from December 1, 2006 until November 30, 2016, for a period of

36 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with other related parties (Continued)

(ii) The amounts and relevant interest rate spectrum of transactions with the Bank's directors, supervisors and senior management and their family members are as follows (Continued):

ten years. The annual rent is RMB 1,842 thousand for the previous three years; for the fourth to the sixth year, the rent rises by 10% on the foundation of the third year; for the last four years, the rent increases by another 10% on the basis of the sixth year. 2) the lease term starts from October 1, 2012 until November 30, 2016, for a period of four years and two months, with the annual rent of RMB 1,000 thousand.

The related party transactions above proceed in accordance with normal commercial terms and business procedures, consistent with the pricing principle of independent third party transactions.

(c) Government related entities

The transactions between the Bank and the government authorities, agencies, affiliates and other state controlled entities are proceeded under normal commercial terms and conditions. These transactions mainly include provision of credit and guarantee, deposits, foreign exchange transactions, derivative transactions, agency service, underwriting of bonds issued by government agencies, purchase, sales and redemption of securities issued by government agencies. Management considers that transactions with these entities are activities conducted in the ordinary course of business. The Bank has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government authorities, agencies, affiliates and other state controlled entities.

(d) Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Bank.

The Bank enters into banking transactions with key management personnel in the normal course of business. During the years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2014 and 2015, the Bank had no material transactions with key management personnel.

The emoluments of directors and other members of key management during the years were as follows:

	Year ended December 31,			Nine months ended September 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Fees	800	800	800	600	917
Salaries and allowances and benefits	9,941	9,953	9,269	7,405	9,247
Discretionary bonuses	15,412	14,599	12,761	—	—
Contribution to pension	138	154	160	127	1,091
Total	26,291	25,506	22,990	8,132	11,255

37 SEGMENT ANALYSIS

(a) Business segments

The Bank manages the business from both business and geographic perspectives. From the business perspective, the Bank provides services through four main business segments listed below:

- Corporate banking—The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products and other types of corporate intermediary services.
- Retail banking—The retail banking segment provides financial products and services to individual customers. The range of products and services includes personal loans and advances, deposit products, bank cards business and other types of personal intermediary services.
- Treasury business—The treasury business conduct money market and repurchase transactions, debt instruments investments and financial derivatives business for proprietary trading or on behalf of customers.
- Others—Others comprise components of the Bank that are not attributable to any of the above segments, along with services that could not be allocated on a reasonable basis.

	Year ended December 31, 2012				
	Corporate banking	Retail banking	Treasury business	Others	Total
External interest income	10,364,267	2,614,465	5,510,699	—	18,489,431
External interest expense	(5,088,409)	(507,715)	(3,401,149)	—	(8,997,273)
Inter-segment net interest income/(expenses)	2,153,589	(772,553)	(1,381,036)	—	—
Net interest income	7,429,447	1,334,197	728,514	—	9,492,158
Net fee and commission income	403,385	6,326	467,889	—	877,600
Net trading gains	—	—	50,957	—	50,957
Net gains on financial investments	—	—	6,837	—	6,837
Other operating income	10,054	4,569	—	24,302	38,925
Operating expenses	(3,080,071)	(553,978)	(403,365)	(7,526)	(4,044,940)
—Depreciation and amortization	(107,893)	(18,262)	(23,586)	(96)	(149,837)
Impairment losses on assets	(889,927)	(173,054)	—	—	(1,062,981)
Profit before income tax	3,872,888	618,060	850,832	16,776	5,358,556
Capital expenditure	216,684	42,464	161,335	876	421,359

	December 31, 2012				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	202,285,857	39,642,410	150,614,545	817,592	393,360,404
Unallocated assets					478,866
Total assets					393,839,270
Segment liabilities	(250,624,353)	(22,805,578)	(97,403,072)	(296,868)	(371,129,871)

37 SEGMENT ANALYSIS (Continued)

(a) Business segments (Continued)

	Year ended December 31, 2013				
	Corporate banking	Retail banking	Treasury business	Others	Total
External interest income	12,217,877	2,918,367	7,876,802	—	23,013,046
External interest expense	(6,211,148)	(569,536)	(5,117,193)	—	(11,897,877)
Inter-segment net interest income/(expenses)	2,582,887	(800,481)	(1,782,406)	—	—
Net interest income	8,589,616	1,548,350	977,203	—	11,115,169
Net fee and commission income	1,424,020	9,341	885,463	—	2,318,824
Net trading gains	—	—	5,494	—	5,494
Net losses on financial investments	—	—	(3,165)	—	(3,165)
Other operating income	17,728	9,108	—	32,346	59,182
Operating expenses	(4,006,778)	(689,218)	(563,421)	(11,498)	(5,270,915)
—Depreciation and amortization	(125,468)	(19,455)	(31,474)	(155)	(176,552)
Impairment losses on assets	(1,446,473)	(256,678)	—	—	(1,703,151)
Profit before income tax	4,578,113	620,903	1,301,574	20,848	6,521,438
Capital expenditure	177,626	35,994	158,470	629	372,719

	December 31, 2013				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	232,276,481	47,068,124	207,226,816	823,050	487,394,471
Unallocated assets					722,523
Total assets					488,116,994
Segment liabilities	(301,819,281)	(23,606,713)	(134,438,061)	(444,442)	(460,308,497)

37 SEGMENT ANALYSIS (Continued)

(a) Business segments (Continued)

	Year ended December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
External interest income	15,079,581	3,692,047	13,426,843	—	32,198,471
External interest expense	(7,586,994)	(578,583)	(9,497,670)	—	(17,663,247)
Inter-segment net interest income/(expenses)	2,765,647	(1,146,006)	(1,619,641)	—	—
Net interest income	10,258,234	1,967,458	2,309,532	—	14,535,224
Net fee and commission income	2,016,410	4,070	600,716	—	2,621,196
Net trading gains	—	—	85,972	—	85,972
Net gains on financial investments	—	—	41,962	—	41,962
Other operating income	54,701	22,538	647	34,594	112,480
Operating expenses	(4,393,147)	(809,371)	(801,865)	(23,962)	(6,028,345)
—Depreciation and amortization	(130,966)	(21,187)	(42,812)	(133)	(195,098)
Impairment losses on assets	(3,927,799)	(648,457)	—	—	(4,576,256)
Profit before income tax	4,008,399	536,238	2,236,964	10,632	6,792,233
Capital expenditure	296,916	54,731	302,264	499	654,410

	December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	303,402,800	55,926,527	308,866,846	509,995	668,706,168
Unallocated assets					1,251,278
Total assets					669,957,446
Segment liabilities	(347,729,759)	(23,381,998)	(265,513,150)	(182,367)	(636,807,274)

	Nine months ended September 30, 2014 (unaudited)				
	Corporate banking	Retail banking	Treasury business	Others	Total
External interest income	10,851,083	2,705,766	9,678,034	—	23,234,883
External interest expense	(5,532,085)	(431,740)	(6,754,315)	—	(12,718,140)
Inter-segment net interest income/(expenses)	2,183,794	(840,728)	(1,343,066)	—	—
Net interest income	7,502,792	1,433,298	1,580,653	—	10,516,743
Net fee and commission income/(expenses)	1,414,051	(4,960)	465,852	—	1,874,943
Net trading gains	—	—	60,541	—	60,541
Net gains on financial investments	—	—	22,092	—	22,092
Other operating income	(1,844)	1,601	—	21,031	20,788
Operating expenses	(3,177,853)	(616,050)	(575,597)	(20,185)	(4,389,685)
—Depreciation and amortization	(93,274)	(15,039)	(29,540)	(100)	(137,953)
Impairment losses on assets	(1,748,759)	(429,232)	—	—	(2,177,991)
Profit before income tax	3,988,387	384,657	1,553,541	846	5,927,431
Capital expenditure	137,487	20,822	151,303	388	310,000

37 SEGMENT ANALYSIS (Continued)

(a) Business segments (Continued)

	Nine months ended September 30, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
External interest income	14,193,579	2,938,391	17,220,247	—	34,352,217
External interest expense	(7,734,393)	(412,735)	(11,197,507)	—	(19,344,635)
Inter-segment net interest income/(expenses)	1,939,302	(848,098)	(1,091,204)	—	—
Net interest income	8,398,488	1,677,558	4,931,536	—	15,007,582
Net fee and commission income	1,258,088	12,677	1,052,322	—	2,323,087
Net trading losses	—	—	(170,702)	—	(170,702)
Net gains on financial investments	—	—	315,114	—	315,114
Other operating income	36,104	2,968	—	26,969	66,041
Operating expenses	(3,397,784)	(643,519)	(1,240,160)	(14,145)	(5,295,608)
—Depreciation and amortization	(82,304)	(13,899)	(57,230)	(98)	(153,531)
Impairment losses on assets	(4,367,387)	(373,044)	—	—	(4,740,431)
Profit before income tax	1,927,509	676,640	4,888,110	12,824	7,505,083
Capital expenditure	85,837	12,292	101,624	294	200,047

	September 30, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	430,178,567	61,600,734	509,297,135	1,473,700	1,002,550,136
Unallocated assets					1,764,641
Total assets					1,004,314,777
Segment liabilities	(489,004,889)	(19,852,159)	(445,758,091)	(2,084,768)	(956,699,907)

(b) Geographical segments

Geographically, the Bank mainly conducts its business in the four areas listed below in Mainland China.

- "Eastern China" refers to the head office and the following areas serviced by the tier-one branches of the Bank: Head Office, Hangzhou, Ningbo, Wenzhou, Yiwu, Shaoxing, Shanghai, Nanjing, Suzhou, Zhoushan;
- "Northern China" refers to the following areas serviced by the tier-one branches of the Bank: Beijing, Tianjin, Jinan, Shenyang;
- "Southern China" refers to the following areas serviced by the tier-one branches of the Bank: Shenzhen, Guangzhou; and
- "Western China" refers to the following areas serviced by the tier-one branches of the Bank: Chengdu, Xi'an, Lanzhou, Chongqing.

37 SEGMENT ANALYSIS (Continued)

(b) Geographical segments (Continued)

	Year ended December 31, 2012					
	East China	North China	South China	Western China	Elimination	Total
External interest income	11,326,507	4,152,589	675,001	2,335,334	—	18,489,431
External interest expense	(5,082,917)	(2,147,498)	(414,457)	(1,352,401)	—	(8,997,273)
Inter-segment net interest income/ (expenses)	(1,001,350)	509,245	132,277	359,828	—	—
Net interest income	5,242,240	2,514,336	392,821	1,342,761	—	9,492,158
Net fee and commission income	484,249	215,589	34,680	143,082	—	877,600
Net trading gains	47,335	1,753	—	1,869	—	50,957
Net gains on financial investments	6,837	—	—	—	—	6,837
Other operating income	24,370	8,968	1,999	3,588	—	38,925
Operating expenses	(2,503,937)	(831,746)	(144,907)	(564,350)	—	(4,044,940)
—Depreciation and amortization	(119,449)	(15,669)	(2,698)	(12,021)	—	(149,837)
Impairment losses on assets	(706,123)	(130,830)	(54,627)	(171,401)	—	(1,062,981)
Profit before income tax	2,594,971	1,778,070	229,966	755,549	—	5,358,556
Capital expenditure	374,897	28,974	1,094	16,394	—	421,359

	December 31, 2012					
	East China	North China	South China	Western China	Elimination	Total
Segment assets	334,087,123	86,943,574	13,552,823	61,637,664	(102,860,780)	393,360,404
Unallocated assets						478,866
Total assets						393,839,270
Segment liabilities	(313,413,472)	(85,777,259)	(13,457,172)	(61,342,748)	102,860,780	(371,129,871)

37 SEGMENT ANALYSIS (Continued)

(b) Geographical segments (Continued)

	Year ended December 31, 2013					
	East China	North China	South China	Western China	Elimination	Total
External interest income	14,044,275	5,143,017	724,969	3,100,785	—	23,013,046
External interest expense	(6,831,336)	(3,103,413)	(407,402)	(1,555,726)	—	(11,897,877)
Inter-segment net interest income/(expenses)	(1,259,072)	691,180	137,595	430,297	—	—
Net interest income	5,953,867	2,730,784	455,162	1,975,356	—	11,115,169
Net fee and commission income	1,265,908	460,468	90,743	501,705	—	2,318,824
Net trading gains	5,479	—	—	15	—	5,494
Net gains on financial investments	(3,165)	—	—	—	—	(3,165)
Other operating income	30,217	17,345	2,459	9,161	—	59,182
Operating expenses	(3,374,156)	(954,747)	(194,811)	(747,201)	—	(5,270,915)
—*Depreciation and amortization*	(136,527)	(23,517)	(3,034)	(13,474)	—	(176,552)
Impairment losses on assets	(1,190,980)	(334,773)	(34,082)	(143,316)	—	(1,703,151)
Profit before income tax	2,687,170	1,919,077	319,471	1,595,720	—	6,521,438
Capital expenditure	299,541	52,795	5,153	15,230	—	372,719

	December 31, 2013					
	East China	North China	South China	Western China	Elimination	Total
Segment assets	424,965,024	127,252,951	21,896,542	74,607,745	(161,327,791)	487,394,471
Unallocated assets						722,523
Total assets						488,116,994
Segment liabilities	(399,896,145)	(126,272,252)	(21,768,526)	(73,699,365)	161,327,791	(460,308,497)

	Year ended December 31, 2014					
	East China	North China	South China	Western China	Elimination	Total
External interest income	19,914,475	6,753,356	969,483	4,561,157	—	32,198,471
External interest expense	(10,411,770)	(4,404,252)	(651,299)	(2,195,926)	—	(17,663,247)
Inter-segment net interest income/(expenses)	(1,368,191)	991,864	237,649	138,678	—	—
Net interest income	8,134,514	3,340,968	555,833	2,503,909	—	14,535,224
Net fee and commission income	1,550,065	417,114	63,457	590,560	—	2,621,196
Net trading gains	85,972	—	—	—	—	85,972
Net gains on financial investments	41,962	—	—	—	—	41,962
Other operating income/(expenses)	132,385	(40,899)	2,677	18,317	—	112,480
Operating expenses	(3,785,896)	(1,162,322)	(211,503)	(868,624)	—	(6,028,345)
—*Depreciation and amortization*	(151,746)	(24,531)	(3,405)	(15,416)	—	(195,098)
Impairment losses on assets	(3,517,982)	(580,304)	(80,612)	(397,358)	—	(4,576,256)
Profit before income tax	2,641,020	1,974,557	329,852	1,846,804	—	6,792,233
Capital expenditure	425,036	30,117	2,238	197,019	—	654,410

37 SEGMENT ANALYSIS (Continued)

(b) Geographical segments (Continued)

	December 31, 2014					
	East China	North China	South China	Western China	Elimination	Total
Segment assets	625,186,589	166,594,162	23,964,709	113,120,591	(260,159,883)	668,706,168
Unallocated assets						1,251,278
Total assets						669,957,446
Segment liabilities	(594,934,374)	(165,960,327)	(23,878,444)	(112,194,012)	260,159,883	(636,807,274)

	Nine months ended September 30, 2014 (unaudited)					
	East China	North China	South China	Western China	Elimination	Total
External interest income	14,278,167	4,908,466	725,286	3,322,964	—	23,234,883
External interest expense	(7,379,938)	(3,280,090)	(475,647)	(1,582,465)	—	(12,718,140)
Inter-segment net interest income/ (expenses)	(943,610)	728,798	168,787	46,025	—	—
Net interest income	5,954,619	2,357,174	418,426	1,786,524	—	10,516,743
Net fee and commission income	1,081,687	296,314	43,114	453,828	—	1,874,943
Net trading gains	60,541	—	—	—	—	60,541
Net gains on financial investments	22,092	—	—	—	—	22,092
Other operating income/ (expenses)	33,635	(19,049)	140	6,062	—	20,788
Operating expenses	(2,728,512)	(827,073)	(153,734)	(680,366)	—	(4,389,685)
—Depreciation and amortization	(107,386)	(16,880)	(2,541)	(11,146)	—	(137,953)
Impairment losses on assets	(1,675,549)	(256,893)	(35,287)	(210,262)	—	(2,177,991)
Profit before income tax	2,748,513	1,550,473	272,659	1,355,786	—	5,927,431
Capital expenditure	289,541	13,703	1,628	5,128	—	310,000

	Nine months ended September 30, 2015					
	East China	North China	South China	Western China	Elimination	Total
External interest income	21,239,699	7,047,433	1,063,345	5,001,740	—	34,352,217
External interest expense	(12,131,152)	(4,107,620)	(854,936)	(2,250,927)	—	(19,344,635)
Inter-segment net interest income/ (expenses)	285,461	(84,055)	276,821	(478,227)	—	—
Net interest income	9,394,008	2,855,758	485,230	2,272,586	—	15,007,582
Net fee and commission income	1,681,345	294,715	47,748	299,279	—	2,323,087
Net trading gains/(losses)	(170,702)	—	—	—	—	(170,702)
Net gains on financial investments	315,114	—	—	—	—	315,114
Other operating income	30,282	(16,151)	42,100	9,810	—	66,041
Operating expenses	(3,298,782)	(1,051,745)	(195,521)	(749,560)	—	(5,295,608)
—Depreciation and amortization	(119,162)	(19,686)	(2,592)	(12,091)	—	(153,531)
Impairment losses on assets	(3,425,804)	(639,907)	(165,959)	(508,761)	—	(4,740,431)
Profit before income tax	4,525,461	1,442,670	213,598	1,323,354	—	7,505,083
Capital expenditure	143,464	6,644	752	49,187	—	200,047

37 SEGMENT ANALYSIS (Continued)

(b) Geographical segments (Continued)

	September 30, 2015					
	East China	North China	South China	Western China	Elimination	Total
Segment assets	969,168,540	245,003,647	49,425,768	146,449,756	(407,497,575)	1,002,550,136
Unallocated assets						1,764,641
Total assets						1,004,314,777
Segment liabilities	(927,115,415)	(243,307,605)	(49,228,671)	(144,545,791)	407,497,575	(956,699,907)

38 SUBSEQUENT EVENTS

Up to the date of this report, the Bank had no material events for disclosure after the balance sheet date.

39 FINANCIAL RISK MANAGEMENT

Overview

The Bank's activities expose it to a variety of financial risks and those activities involve analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Managing those risks are crucial to the financial business, and operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The Board of Directors is responsible for establishing the overall risk appetite of the Bank, and reviewing and approving its risk management objectives and strategies. Management establishes and implements corresponding risk management policies and procedures according to the risk management objectives and strategies. Internal audit department is responsible for the independent review of risk management and the internal control.

The primary financial risks the Bank is exposed to are credit risk, market risk (including foreign exchange risk, interest rate risk), and liquidity risk.

39.1 Credit risk

39.1.1 Credit risk measurement

The Bank is exposed to credit risk, which is the risk that counterparty will be unable to or unwilling to meet its obligations under a contract. Credit risk increases when the counterparties are within similar geographical or industry segments. Credit exposures arise principally from loans and advances, debt instruments, and due from banks and other financial institutions. There is also credit risk arising from off-balance sheet credit exposure such as loan commitments. The Bank mainly conducts its business in Zhejiang Province of the PRC, indicating a concentration risk in the Bank's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.1 Credit risk measurement (Continued)

carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department of head office and reported to management regularly.

The Bank performs standardized credit management procedures, including credit due diligence and proposal submission, credit review and approval, loan disbursement, post-lending monitoring and non-performing loan management. The Bank enhances its credit risk management by strictly complying with its credit management procedures; strengthening customer investigation, credit rating, lending approval and post-lending monitoring measures; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrading the credit management system.

Apart from the credit risk exposures from loan assets, the credit risk arising from treasury business is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate credit limits subject to hierarchical authorization and by timely reviewing and adjusting those limit in credit system. In addition, the Bank also provides off-balance sheet commitments and financial guarantee services to customers which may require the Bank to make payments on behalf of customers upon their failure to perform under the terms of the related contract. Risks arising from loan commitments and financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management policies and procedures.

39.1.2 Impairment assessment

In accordance with the "Guideline for Loan Credit Risk Classification" issued by the CBRC, the Bank has established a loan credit risk classification system and performs credit risk management based on loan classification in one of five categories. The Bank classifies loans into the following five categories: pass, special-mention, substandard, doubtful and loss. Loans classified as substandard, doubtful and losses are regarded as non-performing loans. The primary factors considered in loan impairment assessment include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, projected profitability, bank guarantees or collateral and legal responsibility of repayment. The allowance for impairment losses is assessed collectively or individually, as appropriate.

The five categories of loan classification into which the Bank classifies its loans and advances to customers are set out below:

- Pass: Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special-mention: Borrowers are able to service their loans currently, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating income to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.2 Impairment assessment (Continued)

- Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collateral or guarantees are invoked.
- Loss: Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

With respect to investments in debt instruments other than financial assets at fair value through profit or loss, the Bank assesses for indicators of impairment at the end of each reporting period based on objective evidence and performs impairment assessment individually or collectively, as appropriate.

39.1.3 Risk limit control and mitigation policies

The Bank prudently manages and controls concentrations of credit risk wherever they are identified—in particular, to individual counterparties and groups, and to industries and regions. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The Bank employs a range of policies and practices to mitigate credit risk. The most prevalent of these means to mitigate credit risk taken by the Bank include the collateral acquired, pledged deposits and corporate or individual guarantees.

The Bank implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

- Residential properties
- Business assets such as premises, inventory and accounts receivable
- Financial instruments such as debt securities and stocks

The fair value of collateral should be assessed by professional valuation firms appointed by the Bank. The Bank has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collateral. The principal types of collateral and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

Collateral	Maximum loan-to-value ratio
Time deposits	90%
PRC treasury bonds	90%
Financial institution bonds	80%
Residential property, commercial property, industrial plants and land use rights	70%
Vehicles	60%
General equipment	50%
Special equipment	30%

For loans guaranteed by a third-party guarantor, the Bank will assess the financial condition, credit history and ability to meet obligations of the guarantor.

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements:

	December 31,			September 30,
	2012	2013	2014	2015
Assets				
Balances with central bank	60,779,591	64,125,790	75,221,513	84,157,239
Due from banks and other financial institutions	117,725,847	158,520,838	93,685,713	110,811,116
Financial assets at fair value through profit or loss	1,659,339	2,176,663	4,190,821	8,699,191
Derivative financial assets	7,839	50,684	113,452	297,533
Loans and advances to customers	178,740,176	212,570,983	252,312,436	329,725,939
Financial investments				
—Available-for-sale	6,096,176	6,972,374	28,043,452	41,624,292
—Held-to-maturity	13,594,391	18,014,785	18,693,282	27,437,080
—Debt instruments classified as receivables	10,435,282	19,558,752	189,704,291	390,853,252
Other financial assets	1,818,009	2,569,250	3,419,262	4,750,085
Subtotal	390,856,650	484,560,119	665,384,222	998,355,727
Off- balance sheet exposures				
Acceptances	48,047,935	49,350,387	76,790,857	115,856,624
Letters of credit issued	12,901,062	17,833,277	37,895,534	80,107,049
Letters of guarantee issued	10,140,596	14,078,415	31,078,253	41,932,683
Loan commitments	3,438,000	3,052,480	124,600	5,071,500
Unused credit card limit	—	—	—	1,882,251
Subtotal	74,527,593	84,314,559	145,889,244	244,850,107
Total	465,384,243	568,874,678	811,273,466	1,243,205,834

The above table represents a worst-case scenario of credit risk exposure to the Bank as of December 31, 2012, 2013 and 2014 and September 30, 2015, without taking into account of any related collateral or other credit enhancements. For on-balance-sheet assets, the exposures above are based on net book value as reported in the statement of financial position.

39.1.5 Due from banks and other financial institutions and derivative instruments

The Bank's treasury business is exposed to the credit risk associated with the investment business and inter-bank business. The Bank manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly. As of December 31, 2012, 2013 and 2014 and September 30, 2015, the Bank's balance of due from banks and other financial institutions as well as derivative instruments were neither overdue nor impaired.

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances

(a) Analysis of loans and advances to customers by industry

	December 31, 2012		December 31, 2013		December 31, 2014		September 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Corporate loans and advances								
Manufacturing	43,540,603	23.88	48,468,466	22.32	44,519,700	17.19	49,476,477	14.60
Wholesale and retail trade	22,685,260	12.44	30,517,198	14.05	30,283,523	11.69	39,512,253	11.65
Real estate	20,224,329	11.09	25,348,406	11.67	35,172,100	13.58	38,387,040	11.32
Leasing and commercial services	14,417,125	7.91	19,916,558	9.17	28,295,291	10.92	33,894,218	9.99
Administration of water conservancy, environment and public facilities	7,315,180	4.01	9,104,632	4.19	15,182,570	5.86	22,611,876	6.67
Construction	13,392,522	7.35	14,267,697	6.57	16,980,799	6.56	20,243,523	5.97
Transportation, storage and postal service	6,013,301	3.30	6,298,589	2.90	5,987,277	2.31	6,348,678	1.87
Electricity, gas and water production and supply	3,653,767	2.00	4,770,939	2.20	4,205,120	1.62	4,302,345	1.27
Accommodation and catering	2,537,033	1.39	2,991,741	1.38	3,195,033	1.23	3,783,927	1.12
Financing	386,805	0.21	476,355	0.22	572,500	0.22	3,359,739	0.99
Mining	3,222,827	1.77	2,860,850	1.32	3,194,234	1.23	3,163,623	0.93
Public administration and social organizations	604,310	0.33	847,000	0.39	1,560,500	0.60	2,322,500	0.68
Culture, sports and entertainment	736,100	0.40	945,505	0.44	744,026	0.29	2,276,566	0.67
Agriculture, forestry, animal husbandry and fishery	812,799	0.45	910,234	0.42	972,225	0.38	1,673,561	0.49
Information transmission, computer services and software	922,523	0.51	1,303,534	0.60	1,242,999	0.48	1,332,904	0.39
Household services and other services	286,742	0.16	493,918	0.24	489,029	0.19	882,734	0.26
Scientific research, technology services and geological prospecting	295,430	0.16	487,950	0.22	520,100	0.20	785,295	0.23
Health, social security and social welfare	156,500	0.09	284,400	0.13	498,400	0.19	529,450	0.16
Education	340,750	0.19	396,150	0.18	533,400	0.21	333,452	0.10
Discounted bills	5,840,094	3.20	3,516,342	1.62	12,802,972	4.95	44,293,985	13.06
Total corporate loans and advances	147,384,000	80.84	174,206,464	80.23	206,951,798	79.90	279,514,146	82.42
Personal loans and advances								
Personal business	33,909,593	18.61	42,049,806	19.37	51,263,547	19.79	57,415,260	16.93
Residential mortgage loans	665,015	0.36	595,097	0.27	659,646	0.25	1,821,560	0.54
Others	347,021	0.19	285,951	0.13	147,653	0.06	386,703	0.11
Total personal loans and advances	34,921,629	19.16	42,930,854	19.77	52,070,846	20.10	59,623,523	17.58
Gross amount of loans and advances before allowance for impairment	182,305,629	100.00	217,137,318	100.00	259,022,644	100.00	339,137,669	100.00

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances (Continued)

(b) Analysis of loans and advances to customers by security type (Gross amount)

	December 31,			September 30,
	2012	2013	2014	2015
Collateralized loans	94,664,435	118,789,111	140,580,818	148,267,021
Pledged loans	11,832,817	16,792,720	17,046,575	38,184,271
Guaranteed loans	56,570,094	62,083,110	70,513,308	83,575,417
Unsecured loans	13,398,189	15,956,035	18,078,971	24,816,975
Discounted bills	5,840,094	3,516,342	12,802,972	44,293,985
Total	182,305,629	217,137,318	259,022,644	339,137,669

(c) Analysis of loans and advances to customers by geographical areas (Gross amount)

	December 31, 2012		December 31, 2013		December 31, 2014		September 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
East	114,297,373	62.69	131,811,231	60.70	157,109,174	60.66	204,966,911	60.44
North	32,010,449	17.56	42,192,368	19.43	50,038,693	19.32	63,802,411	18.81
West	27,924,844	15.32	33,824,676	15.58	40,755,847	15.73	52,724,039	15.55
South	8,072,963	4.43	9,309,043	4.29	11,118,930	4.29	17,644,308	5.20
Total	182,305,629	100.00	217,137,318	100.00	259,022,644	100.00	339,137,669	100.00

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances (Continued)

(d) Analysis of loans and advances to customers by overdue and impaired status

	December 31, 2012		December 31, 2013		December 31, 2014		September 30, 2015	
	Corporate loans and advances	Personal loans and advances	Corporate loans and advances	Personal loans and advances	Corporate loans and advances	Personal loans and advances	Corporate loans and advances	Personal loans and advances
Neither overdue nor impaired	146,112,423	34,783,627	172,548,061	42,572,652	203,320,692	51,339,933	273,699,178	58,469,911
Overdue but not impaired	498,083	66,397	468,876	160,946	1,701,590	369,950	2,121,529	712,016
Impaired	773,494	71,605	1,189,527	197,256	1,929,516	360,963	3,693,439	441,596
Gross	147,384,000	34,921,629	174,206,464	42,930,854	206,951,798	52,070,846	279,514,146	59,623,523
Less: Collective impairment allowances	(2,679,132)	(647,212)	(3,357,925)	(872,350)	(4,828,966)	(1,297,040)	(6,697,196)	(1,510,238)
Individual impairment allowances	(239,109)	—	(336,060)	—	(584,202)	—	(1,204,296)	—
Total allowance	(2,918,241)	(647,212)	(3,693,985)	(872,350)	(5,413,168)	(1,297,040)	(7,901,492)	(1,510,238)
Net	144,465,759	34,274,417	170,512,479	42,058,504	201,538,630	50,773,806	271,612,654	58,113,285

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances (Continued)

(e) Loans and advances neither overdue nor impaired

The credit risk of the portfolio of loans and advances that was neither overdue nor impaired can be assessed by reference to the five-category system adopted.

December 31, 2012	Five categories of loan classification		
	Pass	Special-mention	Total
Corporate loans and advances	144,831,628	1,280,795	146,112,423
Personal loans and advances	34,755,209	28,418	34,783,627
Total	179,586,837	1,309,213	180,896,050

December 31, 2013	Five categories of loan classification		
	Pass	Special-mention	Total
Corporate loans and advances	170,786,956	1,761,105	172,548,061
Personal loans and advances	42,505,030	67,622	42,572,652
Total	213,291,986	1,828,727	215,120,713

December 31, 2014	Five categories of loan classification		
	Pass	Special-mention	Total
Corporate loans and advances	201,600,178	1,720,514	203,320,692
Personal loans and advances	51,260,324	79,609	51,339,933
Total	252,860,502	1,800,123	254,660,625

September 30, 2015	Five categories of loan classification		
	Pass	Special-mention	Total
Corporate loans and advances	270,103,285	3,595,893	273,699,178
Personal loans and advances	58,356,193	113,718	58,469,911
Total	328,459,478	3,709,611	332,169,089

(f) Loans and advances overdue but not impaired

Analysis of loans and advances overdue but not impaired by overdue days:

	December 31, 2012				
	up to 30 days	30 - 60 days	60 - 90 days	over 90 days	Total
Corporate loans and advances	362,129	68,319	65,375	2,260	498,083
Personal loans and advances	14,868	23,893	12,196	15,440	66,397
Total	376,997	92,212	77,571	17,700	564,480

	December 31, 2013				
	up to 30 days	30 - 60 days	60 - 90 days	over 90 days	Total
Corporate loans and advances	393,253	24,899	42,716	8,008	468,876
Personal loans and advances	42,490	29,717	30,630	58,109	160,946
Total	435,743	54,616	73,346	66,117	629,822

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances (Continued)

(f) Loans and advances overdue but not impaired (Continued)

	December 31, 2014				
	up to 30 days	30 - 60 days	60 - 90 days	over 90 days	Total
Corporate loans and advances	1,045,392	288,655	182,168	185,375	1,701,590
Personal loans and advances	118,758	49,713	33,485	167,994	369,950
Total	1,164,150	338,368	215,653	353,369	2,071,540

	September 30, 2015				
	up to 30 days	30 - 60 days	60 - 90 days	over 90 days	Total
Corporate loans and advances	1,281,301	333,670	191,509	315,049	2,121,529
Personal loans and advances	172,263	113,704	118,357	307,692	712,016
Total	1,453,564	447,374	309,866	622,741	2,833,545

(g) Loans and advances that is impaired

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Corporate loans and advances	773,494	1,189,527	1,929,516	3,693,439
Personal loans and advances	71,605	197,256	360,963	441,596
Total	845,099	1,386,783	2,290,479	4,135,035
Fair value of collateral				
Corporate loans and advances	467,129	693,836	1,768,176	2,249,466
Personal loans and advances	116,741	253,806	442,618	534,501
Total	583,870	947,642	2,210,794	2,783,967

The fair value of collateral is estimated based on the latest external valuations available and adjusted by the experience of realization of the current collateral and the market conditions.

(h) Loans and advances renegotiated

Reorganizing activities include approval of debtor repayment plans, modification and deferral of payments. Following reorganizing, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Reorganizing policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue to be made. These policies are under continuous review. Reorganizing is most commonly applied to term loans, in particular mid-term and long-term loans. The renegotiated loan balances of the Bank are as follows:

	December 31,			September 30,
	2012	2013	2014	2015
Loans and advances renegotiated	4,300	3,700	3,700	15,718

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.6 Loans and advances (Continued)

(i) Overdue loans and advances by overdue days and security type:

	December 31, 2012				
	up to 90 days	90 days to 1 year	1 - 3 years	over 3 years	Total
Unsecured	—	—	—	—	—
Guaranteed	280,636	401,828	75,832	1,313	759,609
Collateralized	295,741	250,457	22,065	—	568,263
Pledged	41,802	39,905	—	—	81,707
Total	618,179	692,190	97,897	1,313	1,409,579

	December 31, 2013				
	up to 90 days	90 days to 1 year	1 - 3 years	over 3 years	Total
Unsecured	—	199,318	—	—	199,318
Guaranteed	166,854	218,357	274,818	—	660,029
Collateralized	600,378	319,285	90,052	—	1,009,715
Pledged	7,510	—	—	—	7,510
Total	774,742	736,960	364,870	—	1,876,572

	December 31, 2014				
	up to 90 days	90 days to 1 year	1 - 3 years	over 3 years	Total
Unsecured	—	—	199,318	—	199,318
Guaranteed	1,006,433	827,075	16,614	—	1,850,122
Collateralized	985,098	1,052,712	127,478	—	2,165,288
Pledged	907	4,357	4,000	—	9,264
Total	1,992,438	1,884,144	347,410	—	4,223,992

	September 30, 2015				
	up to 90 days	90 days to 1 year	1 - 3 years	over 3 years	Total
Unsecured	11,119	1,389	88,421	—	100,929
Guaranteed	1,020,708	1,570,444	234,165	—	2,825,317
Collateralized	1,503,828	1,822,096	381,127	15,664	3,722,715
Pledged	71,053	13,673	8,000	—	92,726
Total	2,606,708	3,407,602	711,713	15,664	6,741,687

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.7 Debt instruments

	December 31, 2012				
	Held for trading	Available-for-sale	Held-to-maturity	Debt instruments classified as receivables	Total
RMB					
A -1[(i)]	444,444	—	—	—	444,444
AAA	148,061	630,871	249,915	—	1,028,847
AA	257,470	99,797	100,000	—	457,267
A	—	—	—	—	—
Unrated[(ii)]	809,364	5,365,508	13,244,476	10,435,282	29,854,630
Sub-total	1,659,339	6,096,176	13,594,391	10,435,282	31,785,188
Foreign currency					
Unrated[(ii)]	—	—	—	—	—
Total	1,659,339	6,096,176	13,594,391	10,435,282	31,785,188

	December 31, 2013				
	Held for trading	Available-for-sale	Held-to-maturity	Debt instruments classified as receivables	Total
RMB					
A -1[(i)]	149,722	469,763	50,000	—	669,485
AAA	143,079	758,940	428,395	—	1,330,414
AA	248,842	—	500,000	—	748,842
A	—	184,291	—	—	184,291
Unrated[(ii)]	1,635,020	5,559,380	17,036,390	19,558,752	43,789,542
Sub-total	2,176,663	6,972,374	18,014,785	19,558,752	46,722,574
Foreign currency					
Unrated[(ii)]	—	—	—	—	—
Total	2,176,663	6,972,374	18,014,785	19,558,752	46,722,574

	December 31, 2014				
	Held for trading	Available-for-sale	Held-to-maturity	Debt instruments classified as receivables	Total
RMB					
A -1[(i)]	239,959	1,177,497	—	—	1,417,456
AAA	551,482	4,927,965	585,000	—	6,064,447
AA	572,309	878,028	1,070,000	—	2,520,337
A	—	199,641	—	—	199,641
Unrated[(ii)]	2,827,071	20,860,321	17,038,282	188,222,928	228,948,602
Sub-total	4,190,821	28,043,452	18,693,282	188,222,928	239,150,483
Foreign currency					
Unrated[(ii)]	—	—	—	1,481,363	1,481,363
Total	4,190,821	28,043,452	18,693,282	189,704,291	240,631,846

39 FINANCIAL RISK MANAGEMENT (Continued)

39.1 Credit risk (Continued)

39.1.7 Debt instruments (Continued)

	September 30, 2015				
	Held for trading	Available-for-sale	Held-to-maturity	Debt instruments classified as receivables	Total
RMB					
A -1[(i)]	80,022	—	—	—	80,022
AAA	574,505	5,762,515	4,824,005	—	11,161,025
AA	561,217	315,460	149,985	—	1,026,662
A	—	254,864	—	—	254,864
Unrated[(ii)]	7,483,447	35,291,453	22,463,090	387,736,970	452,974,960
Sub-total	8,699,191	41,624,292	27,437,080	387,736,970	465,497,533
Foreign currency					
Unrated[(ii)]	—	—	—	3,116,282	3,116,282
Total	8,699,191	41,624,292	27,437,080	390,853,252	468,613,815

(i) Held for trading debt instruments with rating of "A-1" referred to short-term financing bonds held by the Bank, of which the issuer generally has a long-term credit rating being "AA+" and above.

(ii) The unrated debt instruments classified as held-for-trading, available-for-sale and held-to-maturity mainly consist of investment and trading securities issued by the PRC Ministry of Finance, central bank, policy banks and other financial institutions which are creditworthy issuers in the market, but are not rated by independent rating agencies. The unrated debt instruments classified as receivables mainly include wealth management products sponsored by other banks with the principal and return guaranteed, interbank forfaiting investment and Trust plans or asset management plans, of which the principal and return are mainly guaranteed by other financial institutions or third-party guarantors, or secured by collateral.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, there were no overdue nor impaired debt instruments held by the Bank, and the collectively assessed impairment provision of debt instruments classified as receivables were RMB nil, nil, 290,531 thousand and 769,388 thousand.

39.1.8 Foreclosed assets

	December 31,			September 30,
	2012	2013	2014	2015
Real estate and land use rights	—	—	11,820	33,960

Foreclosed assets are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Generally the Bank does not occupy foreclosed properties for its business use. Foreclosed assets are presented in other assets in the statement of financial position.

39.1.9 Concentration risk analysis for financial assets with credit risk exposure:

As of December 31, 2012, 2013 and 2014 and September 30, 2015, the majority of the Bank's credit risk exposures rising from both on-balance sheet and off-balance sheet items is from Mainland China.

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk

39.2.1 Overview

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

Under the principle of unified management, the Bank has basically formed a comprehensive market risk management framework, built a whole set of organizing system including the board reporting, management monitoring, independent management of risk management department and independent monitoring and reporting of risk monitoring officer from risk management department. The risk management policies and procedures of the Bank are formulated based on the nature, size, complexity and risk characteristics of its business, and are consistent with bank's overall business development strategy, management capability and capital strength.

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Bank segregates all financial instruments, both on and off-balance sheet, into either the trading book or banking book, and manage risk of the two categories separately.

39.2.2 Market analysis measurement techniques

The Bank adopts appropriate and market-recognized methods to evaluate exposure of market risk for financial instrument on its trading book and banking book respectively based on reasonable assumptions and parameters.

The Bank uses duration analysis, scenario analysis, value at risk (VaR) analysis, and other risk measurement methods to evaluate related market risk of trading book. The market risk of banking book is evaluated mainly through sensitivity gap analysis and cash flow analysis.

The Bank regularly performs the subsequent review by comparing the results obtained from market risk measurement methods or models with the actual results, and then adjust and improve market risk measurement methods or models. The bank has also established a reporting system for the results of market risk measurement and monitoring, and the overall market risk information of the Bank are reported to the board of directors and the management on a regular basis.

39.2.3 Interest rate risk

The major market risk for banking book is interest rate risk. The Bank measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on net interest income and corporate net value in varied interest rate scenarios.

The Bank performs business in Mainland China in accordance with interest rate system set by the PBOC. According to previous experience, the PBOC will adjust benchmark rates for interest bearing loans and deposits in the same direction, but may not in parallel.

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.3 Interest rate risk (Continued)

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
December 31, 2012						
Assets						
Cash and balances with central bank	60,779,591	—	—	—	238,084	61,017,675
Due from banks and other financial institutions	57,931,972	56,572,680	3,220,000	—	1,195	117,725,847
Financial assets at fair value through profit or loss	475,032	778,776	148,061	257,470	—	1,659,339
Derivative financial assets	—	—	—	—	7,839	7,839
Loans and advances to customers	117,166,634	55,425,250	5,791,250	357,042	—	178,740,176
Financial investments						
—Available-for-sale	179,597	4,039,347	1,651,750	180,320	70,162	6,121,176
—Held-to-maturity	660,597	2,659,475	7,079,406	3,180,932	13,981	13,594,391
—Debt instruments classified as receivables	4,164,323	5,008,577	1,240,000	—	22,382	10,435,282
Other financial assets	—	—	24,551	—	1,793,458	1,818,009
Total assets	241,357,746	124,484,105	19,155,018	3,975,764	2,147,101	391,119,734
Liabilities						
Due to other banks and financial institutions	(75,089,380)	(11,364,631)	(5,290,000)	—	—	(91,744,011)
Derivative financial liabilities	—	—	—	—	(6,059)	(6,059)
Customer deposits	(178,580,105)	(72,343,008)	(15,602,737)	(210,595)	(151,474)	(266,887,919)
Debt securities issued	—	—	(4,450,000)	—	—	(4,450,000)
Other financial liabilities	—	—	—	—	(6,144,158)	(6,144,158)
Total liabilities	(253,669,485)	(83,707,639)	(25,342,737)	(210,595)	(6,301,691)	(369,232,147)
Total interest sensitivity gap	(12,311,739)	40,776,466	(6,187,719)	3,765,169	(4,154,590)	21,887,587

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.3 Interest rate risk (Continued)

	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
December 31, 2013						
Assets						
Cash and balances with central bank	64,125,790	—	—	—	229,969	64,355,759
Due from banks and other financial institutions	75,054,150	74,832,437	8,634,251	—	—	158,520,838
Financial assets at fair value through profit or loss	1,365,753	407,968	402,942	—	—	2,176,663
Derivative financial assets	—	—	—	—	50,684	50,684
Loans and advances to customers	140,783,312	66,296,760	4,517,033	973,878	—	212,570,983
Financial investments						
—Available-for-sale	968,508	3,446,241	2,279,382	224,027	79,216	6,997,374
—Held-to-maturity	946,914	610,922	12,954,999	3,500,412	1,538	18,014,785
—Debt instruments classified as receivables	3,615,630	6,060,000	9,769,500	—	113,622	19,558,752
Other financial assets	—	—	24,552	—	2,544,698	2,569,250
Total assets	286,860,057	151,654,328	38,582,659	4,698,317	3,019,727	484,815,088
Liabilities						
Due to other banks and financial institutions	(100,413,592)	(19,568,717)	(7,360,000)	—	—	(127,342,309)
Derivative financial liabilities	—	—	—	—	(54,184)	(54,184)
Customer deposits	(200,656,162)	(84,377,971)	(33,386,962)	(1,070,000)	(303,682)	(319,794,777)
Debt securities issued	—	(1,200,000)	(4,750,000)	—	—	(5,950,000)
Other financial liabilities	—	—	—	—	(4,527,352)	(4,527,352)
Total liabilities	(301,069,754)	(105,146,688)	(45,496,962)	(1,070,000)	(4,885,218)	(457,668,622)
Total interest sensitivity gap	(14,209,697)	46,507,640	(6,914,303)	3,628,317	(1,865,491)	27,146,466

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.3 Interest rate risk (Continued)

	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
December 31, 2014						
Assets						
Cash and balances with central bank	75,221,512	—	—	—	205,488	75,427,000
Due from banks and other financial institutions	53,277,879	24,207,834	16,200,000	—	—	93,685,713
Financial assets at fair value through profit or loss	370,267	1,049,839	2,265,457	505,258	—	4,190,821
Derivative financial assets	—	—	—	—	113,452	113,452
Loans and advances to customers	164,727,312	77,999,475	8,721,755	863,894	—	252,312,436
Financial investments						
—Available-for-sale	3,090,585	5,944,448	12,871,626	6,069,788	92,005	28,068,452
—Held-to-maturity	519,432	4,579,752	11,234,377	2,359,721	—	18,693,282
—Debt instruments classified as receivables	44,002,808	103,800,297	39,760,898	1,400,000	740,288	189,704,291
Other financial assets	—	—	24,551	—	3,394,711	3,419,262
Total assets	341,209,795	217,581,645	91,078,664	11,198,661	4,545,944	665,614,709
Liabilities						
Due to other banks and financial institutions	(142,022,471)	(66,038,447)	(6,920,000)	—	(17,263)	(214,998,181)
Derivative financial liabilities	—	—	—	—	(206,949)	(206,949)
Customer deposits	(212,387,418)	(108,857,067)	(39,867,854)	(1,535,000)	(632,549)	(363,279,888)
Debt securities issued	(9,295,102)	(29,352,955)	(6,000,000)	(3,250,000)	—	(47,898,057)
Other financial liabilities	—	—	—	—	(7,141,590)	(7,141,590)
Total liabilities	(363,704,991)	(204,248,469)	(52,787,854)	(4,785,000)	(7,998,351)	(633,524,665)
Total interest sensitivity gap	(22,495,196)	13,333,176	38,290,810	6,413,661	(3,452,407)	32,090,044

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.3 Interest rate risk (Continued)

	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
September 30, 2015						
Assets						
Cash and balances with central bank	84,157,238	—	—	—	247,886	84,405,124
Due from banks and other financial institutions	78,875,971	30,776,936	1,158,209	—	—	110,811,116
Financial assets at fair value through profit or loss	—	960,560	6,300,527	1,438,104	—	8,699,191
Derivative financial assets	—	—	—	—	297,533	297,533
Loans and advances to customers	137,225,587	165,524,403	24,429,866	2,546,083	—	329,725,939
Financial investments						
—Available-for-sale	1,185,272	6,052,141	24,355,913	10,030,966	25,000	41,649,292
—Held-to-maturity	4,299,615	811,595	14,476,398	7,849,472	—	27,437,080
—Debt instruments classified as receivables	72,568,295	228,805,257	82,779,397	3,640,000	3,060,303	390,853,252
Other financial assets	125	—	24,701	—	4,725,259	4,750,085
Total assets	378,312,103	432,930,892	153,525,011	25,504,625	8,355,981	998,628,612
Liabilities						
Due to other banks and financial institutions	(186,461,602)	(156,448,258)	(1,000,000)	—	(829,932)	(344,739,792)
Financial liabilities at fair value through profit or loss	—	(500,020)	—	—	—	(500,020)
Derivative financial liabilities	—	—	—	—	(381,027)	(381,027)
Customer deposits	(247,834,437)	(135,841,361)	(111,877,753)	(2,497,000)	(2,294,544)	(500,345,095)
Debt securities issued	(45,512,713)	(39,884,882)	(6,800,000)	(3,250,000)	—	(95,447,595)
Other financial liabilities	—	—	—	—	(10,791,163)	(10,791,163)
Total liabilities	(479,808,752)	(332,674,521)	(119,677,753)	(5,747,000)	(14,296,666)	(952,204,692)
Total interest sensitivity gap	(101,496,649)	100,256,371	33,847,258	19,757,625	(5,940,685)	46,423,920

The currency for the Bank's majority of interest-bearing assets and liabilities is RMB. The potential impact on net profit at each financial reporting date stated below with 100 bps changes along the yield curve is as follows:

	December 31, 2012	2013	2014	September 30, 2015
100 bps up along the yield curve	31,485	32,707	(123,904)	(411,740)
100 bps down along the yield curve	(31,485)	(32,707)	123,904	411,740

For the purpose of the sensitivity analysis, the Bank adopts the following assumptions in determining business conditions and financial inputs:

a. Analysis is based on static gap at each financial reporting date, regardless of subsequent changes;

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.3 Interest rate risk (Continued)

b. The fluctuations in interest rates of different interest-bearing assets and liabilities are the same;

c. All assets and liabilities are re-priced in the middle of relevant periods;

d. No consideration of impact on customers' behavior resulting from interest rate changes;

e. No consideration of impact on market price resulting from interest rate changes;

f. No consideration of impact on off-balance sheet business from interest rate changes;

g. No consideration of actions taken by the Bank with regard to interest rate changes.

Therefore, the actual results on net profit due to changes in interest rates may differ from the analysis above.

39.2.4 Foreign exchange risk

The Bank's business is mainly operated in China and settled in RMB. However, The Bank's assets and liabilities as well as the transactions denominated in foreign currency are exposed to the foreign exchange risk as the foreign exchange position and cash flows are affected by the fluctuations in the prevailing foreign exchange rates.

The major principle for control over foreign exchange risk of the Bank is to match assets and liabilities in different currencies and to keep the risk within limits. Based on the guidelines provided by risk management committee, relevant laws and regulations as well as evaluation on the current market, the Bank sets its risk limits and minimizes the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. For the foreign exchange risk exposure generated during trading operations, the Bank established strict position limits, risk limits and stop-loss limits, and controlled strictly through the hierarchical authorization management of traders.

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.4 Foreign exchange risk (Continued)

The tables below show the Bank's total assets and liabilities at carrying amounts in RMB, categorized by the original currency.

	RMB	US Dollar (RMB equivalent)	HK Dollar (RMB equivalent)	Others (RMB equivalent)	Total
December 31, 2012					
Assets					
Cash and balances with central bank	60,710,913	297,592	6,456	2,714	61,017,675
Due from banks and other financial institutions	115,353,292	1,599,975	146,098	626,482	117,725,847
Financial assets at fair value through profit or loss	1,659,339	—	—	—	1,659,339
Derivative financial assets	7,839	—	—	—	7,839
Loans and advances to customers	176,935,359	1,804,817	—	—	178,740,176
Financial investments					
—Available-for-sale	6,121,176	—	—	—	6,121,176
—Held-to-maturity	13,594,391	—	—	—	13,594,391
—Debt instruments classified as receivables	10,435,282	—	—	—	10,435,282
Other financial assets	1,773,563	22,738	—	21,708	1,818,009
Total assets	386,591,154	3,725,122	152,554	650,904	391,119,734
Liabilities					
Due to other banks and financial institutions	(91,081,142)	(661,663)	(1,206)	—	(91,744,011)
Derivative financial liabilities	(6,059)	—	—	—	(6,059)
Customer deposits	(263,024,068)	(3,099,890)	(146,432)	(617,529)	(266,887,919)
Debt securities issued	(4,450,000)	—	—	—	(4,450,000)
Other financial liabilities	(6,102,261)	(16,213)	(33)	(25,651)	(6,144,158)
Total liabilities	(364,663,530)	(3,777,766)	(147,671)	(643,180)	(369,232,147)
Net position	21,927,624	(52,644)	4,883	7,724	21,887,587
Financial guarantees and credit related commitments	71,710,786	2,262,989	—	553,818	74,527,593

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.4 Foreign exchange risk (Continued)

	RMB	US Dollar (RMB equivalent)	HK Dollar (RMB equivalent)	Others (RMB equivalent)	Total
December 31, 2013					
Assets					
Cash and balances with central bank	63,894,728	442,960	15,230	2,841	64,355,759
Due from banks and other financial institutions	155,032,421	2,661,185	221,206	606,026	158,520,838
Financial assets at fair value through profit or loss	2,176,663	—	—	—	2,176,663
Derivative financial assets	45,973	4,711	—	—	50,684
Loans and advances to customers	206,821,034	5,738,383	—	11,566	212,570,983
Financial investments					
—Available-for-sale	6,997,374	—	—	—	6,997,374
—Held-to-maturity	18,014,785	—	—	—	18,014,785
—Debt instruments classified as receivables	19,558,752	—	—	—	19,558,752
Other financial assets	2,511,622	54,741	267	2,620	2,569,250
Total assets	475,053,352	8,901,980	236,703	623,053	484,815,088
Liabilities					
Due to other banks and financial institutions	(125,000,903)	(1,831,291)	—	(510,115)	(127,342,309)
Derivative financial liabilities	(54,184)	—	—	—	(54,184)
Customer deposits	(310,358,443)	(8,931,810)	(218,371)	(286,153)	(319,794,777)
Debt securities issued	(5,950,000)	—	—	—	(5,950,000)
Other financial liabilities	(4,483,613)	(37,891)	(77)	(5,771)	(4,527,352)
Total liabilities	(445,847,143)	(10,800,992)	(218,448)	(802,039)	(457,668,622)
Net position	29,206,209	(1,899,012)	18,255	(178,986)	27,146,466
Financial guarantees and credit related commitments	81,158,088	499,406	—	2,657,065	84,314,559

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.4 Foreign exchange risk (Continued)

	RMB	US Dollar (RMB equivalent)	HK Dollar (RMB equivalent)	Others (RMB equivalent)	Total
December 31, 2014					
Assets					
Cash and balances with central bank	75,144,964	252,305	26,076	3,655	75,427,000
Due from banks and other financial institutions	91,768,796	1,294,578	178,196	444,143	93,685,713
Financial assets at fair value through profit or loss	4,190,821	—	—	—	4,190,821
Derivative financial assets	35,659	77,793	—	—	113,452
Loans and advances to customers	245,993,630	6,267,389	—	51,417	252,312,436
Financial investments					
—Available-for-sale	28,068,452	—	—	—	28,068,452
—Held-to-maturity	18,693,282	—	—	—	18,693,282
—Debt instruments classified as receivables	188,222,928	1,103,956	—	377,407	189,704,291
Other financial assets	3,361,223	57,062	—	977	3,419,262
Total assets	655,479,755	9,053,083	204,272	877,599	665,614,709
Liabilities					
Due to other banks and financial institutions	(199,394,302)	(11,074,994)	—	(4,528,885)	(214,998,181)
Derivative financial liabilities	(205,858)	(1,091)	—	—	(206,949)
Customer deposits	(356,485,996)	(6,613,424)	(115,921)	(64,547)	(363,279,888)
Debt securities issued	(47,898,057)	—	—	—	(47,898,057)
Other financial liabilities	(7,074,071)	(63,593)	(26)	(3,900)	(7,141,590)
Total liabilities	(611,058,284)	(17,753,102)	(115,947)	(4,597,332)	(633,524,665)
Net position	44,421,471	(8,700,019)	88,325	(3,719,733)	32,090,044
Financial guarantees and credit related commitments	140,730,787	5,006,392	—	152,065	145,889,244

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.4 Foreign exchange risk (Continued)

	RMB	US Dollar (RMB equivalent)	HK Dollar (RMB equivalent)	Others (RMB equivalent)	Total
September 30, 2015					
Assets					
Cash and balances with central bank	83,793,045	606,807	2,122	3,150	84,405,124
Due from banks and other financial institutions	108,282,494	2,444,557	10,681	73,384	110,811,116
Financial assets at fair value through profit or loss	8,699,191	—	—	—	8,699,191
Derivative financial assets	297,533	—	—	—	297,533
Loans and advances to customers	316,718,580	12,315,771	—	691,588	329,725,939
Financial investments					
—Available-for-sale	41,649,292	—	—	—	41,649,292
—Held-to-maturity	27,437,080	—	—	—	27,437,080
—Debt instruments classified as receivables	387,736,970	2,402,984	—	713,298	390,853,252
Other financial assets	4,660,957	82,228	—	6,900	4,750,085
Total assets	979,275,142	17,852,347	12,803	1,488,320	998,628,612
Liabilities					
Due to other banks and financial institutions	(332,889,760)	(7,101,248)	—	(4,748,784)	(344,739,792)
Financial liabilities at fair value through profit or loss	(500,020)	—	—	—	(500,020)
Derivative financial liabilities	(381,027)	—	—	—	(381,027)
Customer deposits	(485,500,331)	(14,467,553)	(3,775)	(373,436)	(500,345,095)
Debt securities issued	(95,447,595)	—	—	—	(95,447,595)
Other financial liabilities	(10,646,459)	(127,868)	(12)	(16,824)	(10,791,163)
Total liabilities	(925,365,192)	(21,696,669)	(3,787)	(5,139,044)	(952,204,692)
Net position	53,909,950	(3,844,322)	9,016	(3,650,724)	46,423,920
Financial guarantees and credit related commitments	237,677,847	5,868,895	—	1,303,365	244,850,107

The Bank's foreign exchange exposure is not material and mainly US dollars. The potential impact on net profit resulting from foreign currency translation gains/(losses) with 1% fluctuation of USD against RMB is as follows:

	December 31,			September 30,
	2012	2013	2014	2015
1% of appreciation of USD against RMB	(395)	(285)	259	242
1% of depreciation of USD against RMB	395	285	(259)	(242)

39 FINANCIAL RISK MANAGEMENT (Continued)

39.2 Market risk (Continued)

39.2.4 Foreign exchange risk (Continued)

For the purpose of the sensitivity analysis, the Bank has considered both spot foreign exchange exposure and forward foreign exchange exposure, and adopts the following assumptions in determining business conditions and financial inputs:

a. Analysis is based on static gap at each financial reporting date, regardless of subsequent changes;

b. No consideration of impact on customers' behavior resulting from exchange rate changes;

c. No consideration of impact on market price resulting from exchange rate changes;

d. No consideration of actions taken by the Bank with regard to exchange rate changes.

Therefore, the actual results on net profit due to changes in exchange rates may differ from the analysis above.

39.3 Liquidity risk

39.3.1 Overview

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The match between maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are all key factors when evaluating its' exposure to liquidity risk.

The Bank's asset and liability management department manages its liquidity risk through:

- Optimizing asset and liability structure;
- Making projections of future cash flows, and evaluating the appropriate current asset position;
- Maintaining reasonable level of liquidity reserve.
- Performing stress testing on a regular basis.

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.2 Analysis of the undiscounted contractual cash flows

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period:

	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
December 31, 2012								
Non-derivative financial assets								
Cash and balances with central bank	—	45,787,813	15,250,457	—	—	—	—	61,038,270
Due from banks and other financial institutions	—	—	1,911,173	53,672,869	60,465,243	4,460,300	—	120,509,585
Financial assets at fair value through profit or loss	—	—	—	510,921	824,850	397,950	107,800	1,841,521
Loans and advances to customers	371,992	—	—	34,961,308	110,382,704	39,492,910	5,244,520	190,453,434
Financial investments								
—Available-for-sale	—	25,000	—	55,911	4,144,789	1,734,469	541,954	6,502,123
—Held-to-maturity	—	—	—	228,772	3,411,738	8,360,539	3,465,321	15,466,370
—Debt instruments classified as receivables	—	—	—	4,293,450	5,145,480	1,287,392	—	10,726,322
Other financial assets	—	—	556,950	—	—	32,289	—	589,239
Total non-derivative financial assets	371,992	45,812,813	17,718,580	93,723,231	184,374,804	55,765,849	9,359,595	407,126,864
Non-derivative financial liabilities								
Due to other banks and financial institution	—	—	(2,048,621)	(73,301,675)	(12,129,423)	(5,677,106)	—	(93,156,825)
Customer deposits	—	—	(120,598,005)	(56,672,593)	(75,429,852)	(19,268,780)	(1,268,139)	(273,237,369)
Debt securities issued	—	—	—	—	(271,250)	(1,193,000)	(5,487,000)	(6,951,250)
Other financial liabilities	—	(3,093,765)	(153,959)	(480)	—	—	—	(3,248,204)
Total non-derivative financial liabilities	—	(3,093,765)	(122,800,585)	(129,974,748)	(87,830,525)	(26,138,886)	(6,755,139)	(376,593,648)
Net liquidity	371,992	42,719,048	(105,082,005)	(36,251,517)	96,544,279	29,626,963	2,604,456	30,533,216

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.2 Analysis of the undiscounted contractual cash flows (Continued)

	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
December 31, 2013								
Non-derivative financial assets								
Cash and balances with central bank	—	53,327,421	11,028,339	—	—	—	—	64,355,760
Due from banks and other financial institutions	—	—	2,188,497	73,680,808	77,544,645	9,754,731	—	163,168,681
Financial assets at fair value through profit or loss	—	—	—	1,406,744	342,035	599,572	—	2,348,351
Loans and advances to customers	797,080	—	—	39,874,932	129,498,192	48,794,317	7,101,691	226,066,212
Financial investments								
—Available-for-sale	—	25,000	—	118,766	3,801,494	3,094,354	293,752	7,333,366
—Held-to-maturity	—	—	—	501,936	1,074,992	15,696,471	3,803,041	21,076,440
—Debt instruments classified as receivables	—	—	—	3,929,246	6,427,745	10,094,237	556,000	21,007,228
Other financial assets	—	—	419,032	—	—	31,408	—	450,440
Total non-derivative financial assets	797,080	53,352,421	13,635,868	119,512,432	218,689,103	88,065,090	11,754,484	505,806,478
Non-derivative financial liabilities								
Due to other banks and financial institution	—	—	(944,533)	(99,954,627)	(21,119,387)	(7,987,680)	—	(130,006,227)
Customer deposits	—	—	(139,612,819)	(56,075,634)	(90,120,010)	(38,623,922)	(1,088,950)	(325,521,335)
Debt securities issued	—	—	—	—	(346,250)	(3,029,000)	(5,179,750)	(8,555,000)
Other financial liabilities	—	—	(205,839)	—	—	—	—	(205,839)
Total non-derivative financial liabilities	—	—	(140,763,191)	(156,030,261)	(111,585,647)	(49,640,602)	(6,268,700)	(464,288,401)
Net liquidity	797,080	53,352,421	(127,127,323)	(36,517,829)	107,103,456	38,424,488	5,485,784	41,518,077

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.2 Analysis of the undiscounted contractual cash flows (Continued)

	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
December 31, 2014								
Non-derivative financial assets								
Cash and balances with central bank	—	62,994,310	12,466,554	—	—	—	—	75,460,864
Due from banks and other financial institutions	—	—	3,379,943	51,478,206	25,056,351	25,062,043	—	104,976,543
Financial assets at fair value through profit or loss	—	—	—	383,237	1,238,080	2,662,211	583,569	4,867,097
Loans and advances to customers	2,156,804	—	—	45,043,044	146,651,263	68,606,953	6,737,159	269,195,223
Financial investments								
—Available-for-sale	—	25,000	—	2,767,238	6,954,354	16,074,007	6,860,200	32,680,799
—Held-to-maturity	—	—	—	88,147	5,578,412	13,117,685	2,576,517	21,360,761
—Debt instruments classified as receivables	—	—	—	46,644,606	110,164,573	43,173,796	1,688,346	201,671,321
Other financial assets	—	—	64,685	—	—	31,408	—	96,093
Total non-derivative financial assets	2,156,804	63,019,310	15,911,182	146,404,478	295,643,033	168,728,103	18,445,791	710,308,701
Non-derivative financial liabilities								
Due to other banks and financial institution	—	—	(2,961,048)	(140,851,725)	(68,568,582)	(7,481,347)	—	(219,862,702)
Customer deposits	—	—	(148,718,224)	(62,858,773)	(112,535,822)	(45,882,573)	—	(369,995,392)
Debt securities issued	—	—	—	(9,756,500)	(30,286,250)	(8,096,000)	(3,672,500)	(51,811,250)
Other financial liabilities	—	—	(399,068)	—	—	—	—	(399,068)
Total non-derivative financial liabilities	—	—	(152,078,340)	(213,466,998)	(211,390,654)	(61,459,920)	(3,672,500)	(642,068,412)
Net liquidity	2,156,804	63,019,310	(136,167,158)	(67,062,520)	84,252,379	107,268,183	14,773,291	68,240,289

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.2 Analysis of the undiscounted contractual cash flows (Continued)

	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
September 30, 2015								
Non-derivative financial assets								
Cash and balances with central bank	—	77,117,253	7,323,974	—	—	—	—	84,441,227
Due from banks and other financial institutions	—	—	4,703,659	74,415,212	31,767,858	1,177,009	—	112,063,738
Financial assets at fair value through profit or loss	—	—	—	—	1,420,900	7,252,021	1,586,953	10,259,874
Loans and advances to customers	4,590,109	—	—	59,134,504	191,580,596	82,350,255	10,575,130	348,230,594
Financial investments								
—Available-for-sale	—	25,000	—	1,101,356	7,316,567	28,589,268	11,026,322	48,058,513
—Held-to-maturity	—	—	—	4,813,099	1,400,836	17,178,917	8,760,315	32,153,167
—Debt instruments classified as receivables	—	—	—	78,546,154	244,507,793	86,379,062	3,437,478	412,870,487
Other financial assets	—	—	531,545	—	—	51,311	—	582,856
Total non-derivative financial assets	4,590,109	77,142,253	12,559,178	218,010,325	477,994,550	222,977,843	35,386,198	1,048,660,456
Non-derivative financial liabilities								
Due to other banks and financial institution	—	—	(25,663,082)	(162,361,264)	(158,336,554)	(1,089,831)	—	(347,450,731)
Financial liabilities at fair value through profit or loss	—	—	—	(3,699)	(507,911)	—	—	(511,610)
Customer deposits	—	—	(187,545,624)	(64,175,415)	(139,450,372)	(118,723,641)	(2,498,859)	(512,393,911)
Debt securities issued	—	—	—	(45,723,962)	(40,216,382)	(8,564,500)	(3,672,500)	(98,177,344)
Other financial liabilities	—	—	(1,744,120)	—	—	—	—	(1,744,120)
Total non-derivative financial liabilities	—	—	(214,952,826)	(272,264,340)	(338,511,219)	(128,377,972)	(6,171,359)	(960,277,716)
Net liquidity	4,590,109	77,142,253	(202,393,648)	(54,254,015)	139,483,331	94,599,871	29,214,839	88,382,740

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.3 Derivative financial instruments cash flow

The Bank's derivative financial instruments are either settled on a net basis or a gross basis.

(a) Derivatives settled on a net basis

The Bank's derivatives that will be settled on a net basis include interest rate swaps.

The table below analyzes the Bank's derivative financial instruments that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet as of December 31, 2012, 2013 and 2014 and September 30, 2015, to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2012	Up to 1 month	1-3 months	3 months to 1 year	1 - 5 years	Total
Interest rate swaps					
—outflow	—	—	—	—	—
—inflow	—	—	—	—	—
Total	—	—	—	—	—

December 31, 2013	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Interest rate swaps					
—outflow	—	—	(2,547)	(2,565)	(5,112)
—inflow	—	—	2,663	2,540	5,203
Total	—	—	116	(25)	91

December 31, 2014	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Interest rate swaps					
—outflow	(388)	(1,053)	(3,512)	(23,891)	(28,844)
—inflow	819	453	3,613	23,386	28,271
Total	431	(600)	101	(505)	(573)

September 30, 2015	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Interest rate swaps					
—outflow	(48)	(711)	(31,288)	(43,858)	(75,905)
—inflow	76	750	20,057	38,534	59,417
Total	28	39	(11,231)	(5,324)	(16,488)

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.3 Derivative financial instruments cash flow (Continued)

(b) Derivatives settled on a gross basis

The Bank's derivatives that will be settled on a gross basis include foreign exchange forwards, foreign exchange swaps and currency swaps.

The table below analyzes the Bank's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet as of December 31, 2012, 2013 and 2014 and September 30, 2015, to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2012	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Foreign exchange derivatives					
—outflow	(181,412)	(741,515)	(776,487)	—	(1,699,414)
—inflow	181,626	742,349	777,330	—	1,701,305
Total	214	834	843	—	1,891

December 31, 2013	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Foreign exchange derivatives					
—outflow	(726,181)	(553,181)	(830,987)	—	(2,110,349)
—inflow	723,130	550,475	824,986	—	2,098,591
Total	(3,051)	(2,706)	(6,001)	—	(11,758)

December 31, 2014	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Foreign exchange derivatives					
—outflow	(3,482,232)	(3,829,888)	(18,976,244)	—	(26,288,364)
—inflow	4,240,832	3,834,150	18,153,461	—	26,228,443
Total	758,600	4,262	(822,783)	—	(59,921)

September 30, 2015	Up to 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Foreign exchange derivatives					
—outflow	(7,393,969)	(2,605,290)	(23,538,586)	(2,012,379)	(35,550,224)
—inflow	7,397,438	2,586,635	23,483,415	2,015,730	35,483,218
Total	3,469	(18,655)	(55,171)	3,351	(67,006)

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.4 Maturity Analysis

The tables below summarize the maturity analysis of assets and liabilities by remaining contractual maturities based on the carrying amount at the end of each reporting period.

	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
December 31, 2012								
Assets								
Cash and balances with central bank	—	45,767,218	15,250,457	—	—	—	—	61,017,675
Due from banks and other financial institutions	—	—	1,907,341	52,194,342	59,526,481	4,097,683	—	117,725,847
Financial assets at fair value through profit or loss	—	—	—	494,376	762,522	144,971	257,470	1,659,339
Derivative financial assets	—	—	—	4,340	3,499	—	—	7,839
Loans and advances to customers	356,794	—	—	31,716,802	106,428,791	35,429,329	4,808,460	178,740,176
Financial investments								
—Available-for-sale	—	25,000	—	30,113	4,024,564	1,850,993	190,506	6,121,176
—Held-to-maturity	—	—	—	260,109	2,472,498	7,740,870	3,120,914	13,594,391
—Debt instruments classified as receivables	—	—	—	4,162,531	5,030,314	1,242,437	—	10,435,282
Other assets, including deferred income tax assets	—	2,243,463	14,571	967,620	783,643	478,228	50,020	4,537,545
Total assets	356,794	48,035,681	17,172,369	89,830,233	179,032,312	50,984,511	8,427,370	393,839,270
Liabilities								
Due to other banks and financial institution	—	—	(2,048,621)	(72,690,522)	(11,714,868)	(5,290,000)	—	(91,744,011)
Derivative financial liabilities	—	—	—	(3,403)	(2,656)	—	—	(6,059)
Customer deposits	—	—	(120,338,628)	(55,397,127)	(73,038,832)	(16,902,737)	(1,210,595)	(266,887,919)
Debt securities issued	—	—	—	—	—	—	(4,450,000)	(4,450,000)
Other financial liabilities including deferred income tax liability	—	(5,583)	(1,064,534)	(5,937,777)	(781,846)	(184,662)	(67,480)	(8,041,882)
Total liabilities	—	(5,583)	(123,451,783)	(134,028,829)	(85,538,202)	(22,377,399)	(5,728,075)	(371,129,871)
Net liquidity gap	356,794	48,030,098	(106,279,414)	(44,198,596)	93,494,110	28,607,112	2,699,295	22,709,399

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.4 Maturity Analysis (Continued)

	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
December 31, 2013								
Assets								
Cash and balances with central bank	—	53,327,420	11,028,339	—	—	—	—	64,355,759
Due from banks and other financial institutions	—	—	2,188,497	72,255,654	74,942,437	9,134,250	—	158,520,838
Financial assets at fair value through profit or loss	—	—	—	1,370,398	405,631	400,634	—	2,176,663
Derivative financial assets	—	—	—	44,716	3,428	2,540	—	50,684
Loans and advances to customers	771,631	—	—	36,611,857	123,786,992	44,769,043	6,631,460	212,570,983
Financial investments								
—Available-for-sale	—	25,000	—	418,223	3,591,194	2,738,930	224,027	6,997,374
—Held-to-maturity	—	—	—	488,440	411,817	13,674,134	3,440,394	18,014,785
—Debt instruments classified as receivables	—	—	—	3,729,252	6,060,000	9,769,500	—	19,558,752
Other assets, including deferred income tax assets	—	2,635,471	30,730	1,001,968	1,224,583	908,646	69,758	5,871,156
Total assets	771,631	55,987,891	13,247,566	115,920,508	210,426,082	81,397,677	10,365,639	488,116,994
Liabilities								
Due to other banks and financial institution	—	—	(944,533)	(98,871,232)	(20,082,022)	(7,444,522)	—	(127,342,309)
Derivative financial liabilities	—	—	—	(42,213)	(9,406)	(2,565)	—	(54,184)
Customer deposits	—	—	(139,485,610)	(54,820,461)	(88,110,512)	(36,308,194)	(1,070,000)	(319,794,777)
Debt securities issued	—	—	—	—	—	(1,500,000)	(4,450,000)	(5,950,000)
Other financial liabilities including deferred income tax liability	—	(46,133)	(1,562,449)	(3,761,310)	(1,322,025)	(458,701)	(16,609)	(7,167,227)
Total liabilities	—	(46,133)	(141,992,592)	(157,495,216)	(109,523,965)	(45,713,982)	(5,536,609)	(460,308,497)
Net liquidity gap	771,631	55,941,758	(128,745,026)	(41,574,708)	100,902,117	35,683,695	4,829,030	27,808,497

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.4 Maturity Analysis (Continued)

	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
December 31, 2014								
Assets								
Cash and balances with central bank	—	62,963,142	12,463,858	—	—	—	—	75,427,000
Due from banks and other financial institutions	—	—	3,379,943	49,897,936	24,207,834	16,200,000	—	93,685,713
Financial assets at fair value through profit or loss	—	—	—	349,922	1,049,839	2,285,802	505,258	4,190,821
Derivative financial assets	—	—	—	60,301	29,765	23,386	—	113,452
Loans and advances to customers	2,109,160	—	—	41,248,785	139,484,384	63,218,034	6,252,073	252,312,436
Financial investments								
—Available-for-sale	—	25,000	—	2,632,636	5,998,468	13,342,646	6,069,702	28,068,452
—Held-to-maturity	—	—	—	80,037	4,859,247	11,454,295	2,299,703	18,693,282
—Debt instruments classified as receivables	—	—	—	44,743,096	103,800,297	39,760,898	1,400,000	189,704,291
Other assets, including deferred income tax assets	—	3,598,691	81,981	707,692	2,032,441	1,264,483	76,711	7,761,999
Total assets	2,109,160	66,586,833	15,925,782	139,720,405	281,462,275	147,549,544	16,603,447	669,957,446
Liabilities								
Due to other banks and financial institution	—	—	(2,961,048)	(139,078,686)	(66,038,447)	(6,920,000)	—	(214,998,181)
Derivative financial liabilities	—	—	—	(113,946)	(69,112)	(23,891)	—	(206,949)
Customer deposits	—	—	(148,118,020)	(61,421,336)	(109,913,638)	(42,291,894)	(1,535,000)	(363,279,888)
Debt securities issued	—	—	—	(9,295,102)	(29,352,955)	(6,000,000)	(3,250,000)	(47,898,057)
Other financial liabilities including deferred income tax liability	—	(30,810)	(2,063,064)	(5,326,237)	(2,300,524)	(666,369)	(37,195)	(10,424,199)
Total liabilities	—	(30,810)	(153,142,132)	(215,235,307)	(207,674,676)	(55,902,154)	(4,822,195)	(636,807,274)
Net liquidity gap	2,109,160	66,556,023	(137,216,350)	(75,514,902)	73,787,599	91,647,390	11,781,252	33,150,172

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.4 Maturity Analysis (Continued)

	Overdue	Indefinite	On Demand	Up to 3 months	3 months to 1 year	1 - 5 years	Over 5 years	Total
September 30, 2015								
Assets								
Cash and balances with central bank	—	77,082,566	7,322,558	—	—	—	—	84,405,124
Due from banks and other financial institutions	—	—	4,703,659	74,172,312	30,776,937	1,158,208	—	110,811,116
Financial assets at fair value through profit or loss	—	—	—	—	960,561	6,300,527	1,438,103	8,699,191
Derivative financial assets	—	—	—	78,800	169,404	49,329	—	297,533
Loans and advances to customers	4,525,987	—	—	55,429,859	184,423,667	76,477,182	8,869,244	329,725,939
Financial investments								
—Available-for-sale	—	25,000	—	1,185,272	6,052,141	24,355,913	10,030,966	41,649,292
—Held-to-maturity	—	—	—	4,299,615	811,595	14,476,398	7,849,472	27,437,080
—Debt instruments classified as receivables	—	—	—	76,345,182	233,156,656	78,720,786	2,630,628	390,853,252
Other assets, including deferred income tax assets	9,730	4,182,226	104,116	1,394,335	3,468,916	1,140,910	136,017	10,436,250
Total assets	4,535,717	81,289,792	12,130,333	212,905,375	459,819,877	202,679,253	30,954,430	1,004,314,777
Liabilities								
Due to other banks and financial institution	—	—	(25,646,985)	(161,635,307)	(156,457,500)	(1,000,000)	—	(344,739,792)
Financial liabilities at fair value through profit or loss	—	—	—	—	(500,020)	—	—	(500,020)
Derivative financial liabilities	—	—	—	(93,921)	(235,805)	(51,301)	—	(381,027)
Customer deposits	—	—	(187,374,104)	(62,754,877)	(135,841,361)	(111,877,753)	(2,497,000)	(500,345,095)
Debt securities issued	—	—	—	(45,512,713)	(39,884,882)	(6,800,000)	(3,250,000)	(95,447,595)
Other financial liabilities including deferred income tax liability	—	(4,323)	(2,529,261)	(8,039,287)	(3,245,249)	(1,424,703)	(43,555)	(15,286,378)
Total liabilities	—	(4,323)	(215,550,350)	(278,036,105)	(336,164,817)	(121,153,757)	(5,790,555)	(956,699,907)
Net liquidity gap	4,535,717	81,285,469	(203,420,017)	(65,130,730)	123,655,060	81,525,496	25,163,875	47,614,870

39 FINANCIAL RISK MANAGEMENT (Continued)

39.3 Liquidity risk (Continued)

39.3.5 Off-balance sheet items

December 31, 2012	Within 1 year	1 - 5 years	Over 5 years	Total
Acceptances	48,047,935	—	—	48,047,935
Letters of credit	12,901,062	—	—	12,901,062
Letters of guarantee issued	10,140,412	184	—	10,140,596
Loan commitments	405,000	3,033,000	—	3,438,000
Total	71,494,409	3,033,184	—	74,527,593

December 31, 2013	Within 1 year	1 - 5 years	Over 5 years	Total
Acceptances	49,350,387	—	—	49,350,387
Letters of credit	17,833,277	—	—	17,833,277
Letters of guarantee issued	13,919,899	158,516	—	14,078,415
Loan commitments	3,052,480	—	—	3,052,480
Total	84,156,043	158,516	—	84,314,559

December 31, 2014	Within 1 year	1 - 5 years	Over 5 years	Total
Acceptances	76,790,857	—	—	76,790,857
Letters of credit	37,895,534	—	—	37,895,534
Letters of guarantee issued	30,391,355	686,898	—	31,078,253
Loan commitments	124,600	—	—	124,600
Total	145,202,346	686,898	—	145,889,244

September 30, 2015	Within 1 year	1 - 5 years	Over 5 years	Total
Acceptances	115,856,624	—	—	115,856,624
Letters of credit	80,107,049	—	—	80,107,049
Letters of guarantee issued	37,823,388	4,109,295	—	41,932,683
Loan commitments	2,509,000	2,562,500	—	5,071,500
Unused credit card limit	1,882,251	—	—	1,882,251
Total	238,178,312	6,671,795	—	244,850,107

39.4 Fair values of financial assets and liabilities

(a) Fair value hierarchy

IFRS 13 specifies a hierarchy of fair value measurement based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1: Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Hong Kong Stock Exchange).
- Level 2: Using observable inputs other than quoted prices for assets or liabilities within Level 1, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes over-the-counter derivatives and debt instruments traded in interbank

39 FINANCIAL RISK MANAGEMENT (Continued)

39.4 Fair values of financial assets and liabilities (Continued)

(a) Fair value hierarchy (Continued)

market. The input parameters like bond yield curve or counterparty credit risk are based on data from China Bond and Bloomberg.

- Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(b) Financial instruments not measured at fair value

Financial assets and financial liabilities in the statement of financial position which are not measured at fair value mainly include: balances with the central bank, due from banks and other financial institutions, loans and advances to customers, financial investments-held-to-maturity, financial investments-debt instruments classified as receivables, due to banks and other financial institutions, deposits from customers and debt securities issued.

The tables below summarize the carrying amounts and fair values of those financial assets and financial liabilities that are not measured at fair value, including financial investments-held-to-maturity, financial investments-debt instruments classified as receivables and debt securities issued. For the other financial instruments not measured at fair value in the statement of financial position, their fair value approximate carrying amount.

	December 31, 2012				
		Fair value			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial investments					
—Held-to-maturity	13,594,391	—	13,433,413	—	13,433,413
Financial investments					
—Debt instruments classified as receivables	10,435,282	—	6,452,381	3,987,830	10,440,211
Total	24,029,673	—	19,885,794	3,987,830	23,873,624
Financial liabilities					
Debt securities issued	(4,450,000)	—	(4,544,318)	—	(4,544,318)

	December 31, 2013				
		Fair value			
	Carrying value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets					
Financial investments					
—Held-to-maturity	18,014,785	—	17,273,612	—	17,273,612
Financial investments					
—Debt instruments classified as receivables	19,558,752	—	19,569,836	—	19,569,836
Total	37,573,537	—	36,843,448	—	36,843,448
Financial liabilities					
Debt securities issued	(5,950,000)	—	(5,797,608)	—	(5,797,608)

39 FINANCIAL RISK MANAGEMENT (Continued)

39.4 Fair values of financial assets and liabilities (Continued)

(b) Financial instruments not measured at fair value (Continued)

	December 31, 2014				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial investments					
—Held-to-maturity	18,693,282	—	18,848,317	—	18,848,317
Financial investments					
—Debt instruments classified as receivables	189,704,291	—	163,372,256	26,441,043	189,813,299
Total	208,397,573	—	182,220,573	26,441,043	208,661,616
Financial liabilities					
Debt securities issued	(47,898,057)	—	(47,716,472)	—	(47,716,472)

	September 30, 2015				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets					
Financial investments					
—Held-to-maturity	27,437,080	—	27,826,478	—	27,826,478
Financial investments					
—Debt instruments classified as receivables	390,853,252	—	353,590,697	37,890,836	391,481,533
Total	418,290,332	—	381,417,175	37,890,836	419,308,011
Financial liabilities					
Debt securities issued	(95,447,595)	—	(94,977,097)	—	(94,977,097)

(i) Held-to-maturity investments and debt instruments classified as receivables

Held-to-maturity investments and debt instruments classified as receivables whose fair value is based on quoted market prices are included in level 1. If the quoted market prices are determined by reference to instruments with similar credit risk, maturity and yield characteristics where applicable, the fair value measurement will be included in level 2. When such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received are based on observable yield curves, the fair value measurement will be included in level 3.

(ii) Debt securities issued

If the fair value of debt securities issued is based on quoted market prices, it will be included in level 1. When the fair value of debt securities issued is determined by valuation techniques and all significant inputs required to calculate fair value are observable, it is included in level 2.

39 FINANCIAL RISK MANAGEMENT (Continued)

39.4 Fair values of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value

December 31, 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
—Debt securities	—	1,659,339	—	1,659,339
Derivative financial assets	—	7,839	—	7,839
Financial investments—Available-for-sale				
—Debt securities	—	6,096,176	—	6,096,176
—Interbank certificates of deposit	—	—	—	—
Total	—	7,763,354	—	7,763,354
Derivative financial liabilities	—	(6,059)	—	(6,059)
Financial liabilities at fair value through profit or loss	—	—	—	—
Total	—	(6,059)		(6,059)

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
—Debt securities	—	2,176,663	—	2,176,663
Derivative financial assets	—	50,684	—	50,684
Financial investments—Available-for-sale				
—Debt securities	—	6,972,374	—	6,972,374
—Interbank certificates of deposit	—	—	—	—
Total	—	9,199,721	—	9,199,721
Derivative financial liabilities	—	(54,184)	—	(54,184)
Financial liabilities at fair value through profit or loss	—	—	—	—
Total	—	(54,184)	—	(54,184)

December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
—Debt securities	—	4,190,821	—	4,190,821
Derivative financial assets	—	113,452	—	113,452
Financial investments—Available-for-sale				
—Debt securities	—	24,209,664	—	24,209,664
—Interbank certificates of deposit	—	3,833,788	—	3,833,788
Total	—	32,347,725	—	32,347,725
Derivative financial liabilities	—	(206,949)	—	(206,949)
Financial liabilities at fair value through profit or loss	—	—	—	—
Total		(206,949)		(206,949)

September 30, 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
—Debt securities	—	8,699,191	—	8,699,191
Derivative financial assets	—	297,533	—	297,533
Financial investments—Available-for-sale				
—Debt securities	—	40,361,325	—	40,361,325
—Interbank certificates of deposit	—	1,287,967	—	1,287,967
Total	—	50,646,016	—	50,646,016
Derivative financial liabilities	—	(381,027)	—	(381,027)
Financial liabilities at fair value through profit or loss	—	(500,020)	—	(500,020)
Total		(881,047)		(881,047)

39 FINANCIAL RISK MANAGEMENT (Continued)

39.4 Fair values of financial assets and liabilities (Continued)

(c) Financial instruments measured at fair value (Continued)

The Bank uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

As of December 31, 2012, 2013 and 2014 and September 30, 2015, all of the Bank's financial instruments measured at fair value are classified into the second level, and none is classified to the third level.

39.5 Capital management

The core of the Bank's Capital Management is capital adequacy ratio and capital rate of return. The objective of capital management is to meet external regulatory requirements and shareholder's return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management.

The Bank prudently determines the objectives of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Bank ensures the realization of the management objectives. In addition, the Bank proactively adjusts its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes modification of dividend distribution plan, raising new capital and issuance of new bonds.

The Bank monitors the capital adequacy rate regularly based on regulations issued by the CBRC. The Bank reports the required capital information to the CBRC on a quarterly basis.

Core tier-one capital includes share capital, capital reserve, statutory surplus reserve, statutory general reserve and retained earnings. Tier-two capital includes tier-two capital instruments and premium as well as excessive allowance for loan losses. The primary regulatory deduction item in the calculation of the capital adequacy ratio is other intangible assets (excluding land use rights).

The capital adequacy ratio of year 2012 under the CBRC's regulation of "Administrative Measures for the Capital Adequacy Ratio of Commercial Banks" is as follows:

	December 31, 2012
Core capital adequacy ratio	9.84%
Capital adequacy ratio	12.51%

39 FINANCIAL RISK MANAGEMENT (Continued)

39.5 Capital management (Continued)

Effective from January 1, 2013, the Bank started to implement the CBRC's regulation of "Administrative Measures for the Capital of Commercial Banks (Trial Implementation)" which was issued on June 7, 2012. The capital adequacy ratio as of December 31, 2013 and 2014 and September 30, 2015 under the "Trial Implementation" are as follows:

	December 31, 2013	December 31, 2014	September 30, 2015
Total capital	35,379,902	41,122,070	56,860,835
Including: Core tier-one capital	28,152,298	33,453,853	48,472,699
Tier-two capital	7,227,604	7,668,217	8,388,136
Deduction: other intangible assets	(110,329)	(128,897)	(169,209)
Total capital, net of deductions	35,269,573	40,993,173	56,691,626
Total core tier-one capital, net of deductions	28,041,969	33,324,956	48,303,490
Total tier-one capital, net of deductions	28,041,969	33,324,956	48,303,490
Total risk-weighted assets	305,890,976	386,786,308	510,507,112
Core tier-one capital adequacy ratio	9.17%	8.62%	9.46%
Tier-one capital adequacy ratio	9.17%	8.62%	9.46%
Capital adequacy ratio	11.53%	10.60%	11.11%

39.6 Entrusted loans

The Bank grants entrusted loans on behalf of third-party lenders, which are not included in the financial statements.

	December 31,			September 30,
	2012	2013	2014	2015
Entrusted loans	11,404,305	20,188,391	21,833,006	45,809,372

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Bank in respect of any period subsequent to September 30, 2015 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Bank in respect of any period subsequent to September 30, 2015.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set out below does not form part of the Accountant's Report prepared by the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for information purpose only.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

In accordance with the Hong Kong Listing Rules and Banking (Disclosure) Rules, the Bank discloses the unaudited supplementary financial information as follows:

1 Liquidity ratios and leverage ratio

(1) Liquidity ratios

	As of December 31, 2012	Average for the year ended December 31, 2012
RMB current assets to RMB current liabilities	34.19%	30.28%
Foreign currency current assets to foreign currency current liabilities	73.17%	68.44%

	As of December 31, 2013	Average for the year ended December 31, 2013
RMB current assets to RMB current liabilities	42.82%	38.30%
Foreign currency current assets to foreign currency current liabilities	62.06%	70.33%

	As of December 31, 2014	Average for the year ended December 31, 2014
RMB current assets to RMB current liabilities	48.56%	41.37%
Foreign currency current assets to foreign currency current liabilities	22.50%	52.25%

	As of September 30, 2015	Average for the period ended September 30, 2015
RMB current assets to RMB current liabilities	50.32%	43.92%
Foreign currency current assets to foreign currency current liabilities	49.73%	76.15%

(2) Leverage ratio

	As of September 30, 2015
Leverage ratio	4.04%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the China Banking Regulatory Commission (the "CBRC") and was effective since April 1, 2015, a minimum leverage ratio of 4% is required.

1 Liquidity ratios and leverage ratio (Continued)

(2) Leverage ratio (Continued)

The above liquidity ratios and leverage ratio were calculated in accordance with the formulas promulgated by the CBRC, and based on the financial information prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance in the People's Republic of China.

2 Currency concentrations

	December 31, 2012			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	3,747,405	152,554	650,904	4,550,863
Spot liabilities	(3,800,049)	(147,671)	(643,180)	(4,590,900)
Forward purchases	984,527	—	139,445	1,123,972
Forward sales	(433,976)	—	(689,280)	(1,123,256)
Net options position	—	—	—	—
Net long/(short) position	497,907	4,883	(542,111)	(39,321)

	December 31, 2013			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	8,955,232	236,703	623,053	9,814,988
Spot liabilities	(10,858,955)	(218,448)	(802,039)	(11,879,442)
Forward purchases	1,874,594	—	180,319	2,054,913
Forward sales	(1,631)	—	—	(1,631)
Net options position	—	—	—	—
Net long/(short) position	(30,760)	18,255	1,333	(11,172)

	December 31, 2014			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	9,116,390	204,272	877,599	10,198,261
Spot liabilities	(17,815,318)	(115,947)	(4,597,332)	(22,528,597)
Forward purchases	17,796,325	32,257	3,818,600	21,647,183
Forward sales	(8,544,870)	—	(52,563)	(8,597,433)
Net options position	—	—	—	—
Net long/(short) position	552,527	120,582	46,305	719,414

	September 30, 2015			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	17,979,414	12,803	1,488,320	19,480,537
Spot liabilities	(21,823,736)	(3,787)	(5,139,044)	(26,966,567)
Forward purchases	15,048,659	—	4,388,340	19,436,998
Forward sales	(19,108,217)	—	(730,754)	(19,838,971)
Net options position	(100,881)	—	—	(100,881)
Net long/(short) position	(8,004,762)	9,016	6,862	(7,988,883)

2 Currency concentrations (Continued)

The Bank has no structural position during the Track Record Period.

3 International claims

The Bank regards all claims on third parties outside Mainland China and claims dominated in foreign currency on third parties inside Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions and investments in debt securities.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	December 31, 2012			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	298,874	2,028,676	1,827,101	4,154,651
of which attributed to Hong Kong	—	194,148	—	194,148
North and South America	—	317,744	—	317,744
Europe	—	26,136	—	26,136
	298,874	2,372,555	1,827,101	4,498,531

	December 31, 2013			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	453,755	437,674	5,808,029	6,699,458
of which attributed to Hong Kong	—	27,996	—	27,996
North and South America	—	417,884	—	417,884
Europe	—	11,185	—	11,185
	453,755	866,743	5,808,029	7,128,527

	December 31, 2014			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	273,603	8,929,064	6,382,633	15,585,301
of which attributed to Hong Kong	—	181,552	—	181,552
North and South America	—	774,107	—	774,107
Europe	—	32,685	—	32,685
	273,603	9,735,856	6,382,633	16,392,093

3 International claims (Continued)

	September 30, 2015			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	604,603	3,612,650	13,141,413	17,358,667
of which attributed to Hong Kong	—	50,061	—	50,061
North and South America	—	2,011,749	—	2,011,749
Europe	—	20,506	—	20,506
	604,603	5,644,905	13,141,413	19,390,922

4 Gross amount of overdue loans and advances to customers

	December 31,			September 30,
	2012	2013	2014	2015
Gross loans and advances to customers which have been overdue with respect to either principal or interest for periods of				
between 3 and 6 months (inclusive)	105,438	321,942	952,485	920,411
between 6 months and 1 year (inclusive)	586,752	415,018	931,659	2,487,191
over 1 year	99,210	364,870	347,410	727,377
Total	791,400	1,101,830	2,231,554	4,134,979
As a percentage of total gross loans and advances to customers				
between 3 and 6 months (inclusive)	0.06%	0.15%	0.37%	0.27%
between 6 months and 1 year (inclusive)	0.32%	0.19%	0.36%	0.73%
over 1 year	0.05%	0.17%	0.13%	0.21%
Total	0.43%	0.51%	0.86%	1.22%

The information set out in this appendix does not from part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountants of the Bank, as set out in Appendix I in this document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the financial information included in the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Bank is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Bank attributable to the shareholders of the Bank as of September 30, 2015, as if the Global Offering had taken place on September 30, 2015 assuming the over-allotment is not exercised.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Bank as of September 30, 2015 or at any future dates following the Global Offering.

	Net tangible assets attributable to shareholders of the Bank as of September 30, 2015	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets attributable to the shareholders of the Bank**	**Unaudited pro forma adjusted net tangible assets per share**	
	(In millions of RMB) Note(1)	**(In millions of RMB) Note(2), (4)**	**(In millions of RMB)**	**(RMB) Note(3)**	**(HK$) Note(4)**
Based on Offer Price of HK$3.92 Per share	**47,482**	**9,621**	**57,103**	**3.26**	**3.89**
Based on Offer Price of HK$4.12 Per share	**47,482**	**10,114**	**57,596**	**3.29**	**3.92**

Notes:

(1) The net tangible assets attributable to shareholders of the Bank as of September 30, 2015 is based on the net assets attributable to shareholders of the Bank of RMB47,615 million less intangible assets of RMB133 million as of September 30, 2015.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.92 (being the minimum offer price) and HK$4.12 per H Share (being the maximum offer price); after deduction of the underwriting fees and other related expenses payable by us (excluding listing expenses of approximately RMB2.6 million which have been incurred as of September 30, 2015) and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per share is arrived at after the adjustments as described in Note (2) above and on the basis of 17,509,696,778 shares in issue assuming that the Global Offering has been completed on September 30, 2015 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option.

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of RMB0.8386 to HK$1.00 set by the PBOC prevailing on March 7, 2016. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made on the unaudited pro forma adjusted net tangible assets to reflect any trading result or other transactions of the Bank entered into subsequent to September 30, 2015.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this prospectus.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Zheshang Bank Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Zheshang Bank Co., Ltd. (the "Company") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Company as of September 30, 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out on page III-1 of the Company's prospectus dated March 16, 2016, in connection with the proposed initial public offering of the H-shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page III-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Company's financial position as of September 30, 2015 as if the proposed initial public offering had taken place at September 30, 2015. As part of this process, information about the Company's financial position has been extracted by the directors from the Company's financial information for the period ended September 30, 2015, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at September 30, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 16, 2016

The following is the preliminary financial information of the Bank for the year ended December 31, 2015 (the "2015 Preliminary Financial Information") together with a management's discussion and analysis of the Bank's financial condition and result of operations. The preliminary financial information has been prepared in accordance with IFRS. The 2015 Preliminary Financial Information has not been audited. You are advised that the 2015 Preliminary Financial Information set out in this appendix is subject to change.

STATEMENTS OF COMPREHENSIVE INCOME

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Year ended December 31, 2014	2015 (Unaudited)
Interest income	4	32,198,471	47,429,810
Interest expense	4	(17,663,247)	(26,844,059)
Net interest income		**14,535,224**	**20,585,751**
Fee and commission income	5	2,691,313	4,193,813
Fee and commission expense	5	(70,117)	(92,857)
Net fee and commission income		**2,621,196**	**4,100,956**
Net trading gains/(losses)	6	85,972	2,073
Net gains/(losses) on financial investments		41,962	329,792
Other operating income	7	112,480	111,813
Operating income		**17,396,834**	**25,130,385**
Operating expenses	8	(6,028,345)	(8,257,286)
Impairment losses on assets		(4,576,256)	(7,492,687)
Operating profit		**6,792,233**	**9,380,412**
Profit before income tax		6,792,233	9,380,412
Income tax expense	9	(1,696,730)	(2,329,722)
Net profit attributable to shareholders of the Bank		**5,095,503**	**7,050,690**
Other comprehensive income			
Items that may be reclassified subsequently profit or loss:			
Fair value changes on available-for-sale financial assets		328,229	1,077,424
Related income tax impact		(82,057)	(269,356)
Total other comprehensive income, net of tax		**246,172**	**808,068**
Total comprehensive income attributable to shareholders of the Bank		**5,341,675**	**7,858,758**
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB yuan)	11	**0.44**	**0.54**

STATEMENTS OF FINANCIAL POSITION
(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As of December 31, 2014	As of December 31, 2015 (Unaudited)
ASSETS			
Cash and balances with central bank		75,427,000	87,649,741
Precious metal		—	1,848
Due from banks and other financial institutions		93,685,713	76,607,447
Financial assets at fair value through profit or loss		4,190,821	10,795,291
Derivative financial assets		113,452	458,534
Loans and advances to customers	12	252,312,436	335,228,940
Financial investments	13		
Available-for-sale		28,068,452	49,117,403
Held-to-maturity		18,693,282	29,042,163
Debt instruments classified as receivables		189,704,291	431,893,606
Property, plant and equipment		1,824,509	2,444,632
Deferred income tax assets		1,251,278	2,105,271
Other assets		4,686,212	6,305,510
Total assets		**669,957,446**	**1,031,650,386**
LIABILITIES			
Due to banks and other financial institutions		214,998,181	354,657,357
Financial liabilities at fair value through profit or loss		—	500,020
Derivative financial liabilities		206,949	634,747
Customer deposits		363,279,888	516,026,296
Income tax payable		835,329	1,594,734
Debt securities issued		47,898,057	89,936,036
Other liabilities		9,588,870	18,644,132
Total liabilities		**636,807,274**	**981,993,322**
EQUITY			
Share capital		11,506,872	14,509,697
Capital reserve		6,535,858	12,181,167
Surplus reserve		2,070,022	2,775,091
Statutory general reserve		4,639,490	8,241,258
Investment revaluation reserve		150,380	958,448
Retained earnings		8,247,550	10,991,403
Total equity		**33,150,172**	**49,657,064**
Total liabilities and equity		**669,957,446**	**1,031,650,386**

STATEMENTS OF CHANGES IN EQUITY

(All amounts expressed in thousands of RMB unless otherwise stated)

	Share capital	Capital reserve	Surplus reserve	Statutory general reserve	Investment revaluation reserve	Retained earnings	Total
Balance at January 1, 2014	11,506,872	6,535,858	1,560,472	3,845,359	(95,792)	4,455,728	27,808,497
Net profit for the year	—	—	—	—	—	5,095,503	5,095,503
Other comprehensive income for the year	—	—	—	—	246,172	—	246,172
Total comprehensive income	—	—	—	—	**246,172**	**5,095,503**	**5,341,675**
Appropriation to statutory surplus reserve	—	—	509,550			(509,550)	—
Appropriation to statutory general reserve	—	—	—	794,131	—	(794,131)	—
Balance at December 31, 2014	**11,506,872**	**6,535,858**	**2,070,022**	**4,639,490**	**150,380**	**8,247,550**	**33,150,172**
Balance at January 1, 2015	11,506,872	6,535,858	2,070,022	4,639,490	150,380	8,247,550	33,150,172
Net profit for the year	—	—	—	—	—	7,050,690	7,050,690
Other comprehensive income for the year	—	—	—	—	808,068	—	808,068
Total comprehensive income	—	—	—	—	**808,068**	**7,050,690**	**7,858,758**
Issuance of new shares	3,002,825	5,645,309	—	—	—	—	8,648,134
Appropriation to statutory surplus reserve	—	—	705,069	—	—	(705,069)	—
Appropriation to statutory general reserve	—	—	—	3,601,768	—	(3,601,768)	—
Balance at December 31, 2015	**14,509,697**	**12,181,167**	**2,775,091**	**8,241,258**	**958,448**	**10,991,403**	**49,657,064**

Notes to Financial Statements
(All amounts expressed in thousands of RMB unless otherwise stated)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Financial Information of the Bank has been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. For details on the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information, please see Note 3 in "Appendix I—Accountant's Report".

The Bank applied all relevant effective IFRSs in the preparation of the Financial Information.

2. IMPACT OF ISSUED BUT NOT EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by us as of the relevant periods are as follows:

		Effective for annual periods beginning on or after
Amendment to IFRS 11	Accounting for acquisitions of interests in joint operation	January 1, 2016
IFRS 14	Regulatory deferral accounts	January 1, 2016
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	January 1, 2016
Amendments to IFRSs	Annual improvements to IFRSs (2012 – 2014 cycle)	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019

3. SEGMENT INFORMATION

We manage our business from both business and geographical perspectives. From the business perspective, we provide services through four main business segments listed below.

3. SEGMENT INFORMATION (Continued)

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The range of products and services includes corporate loans and advances, trade finance, deposit products and other types of corporate intermediary services.

Retail banking

The retail banking segment provides financial products and services to individual customers. The range of products and services includes personal loans and advances, deposit products, bank cards business and other types of personal intermediary services.

Treasury business

The treasury business segment conducts money market and repurchase transactions, debt instruments investments and financial derivatives business for proprietary trading or on behalf of customers.

Others

Others comprise components of the Bank that are not attributable to any of the above segments, along with services that could not be allocated on a reasonable basis.

	Year ended December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
External interest income	15,079,581	3,692,047	13,426,843	—	32,198,471
External interest expense	(7,586,994)	(578,583)	(9,497,670)	—	(17,663,247)
Inter-segment net interest income/(expenses)	2,765,647	(1,146,006)	(1,619,641)	—	—
Net interest income	**10,258,234**	**1,967,458**	**2,309,532**	**—**	**14,535,224**
Net fee and commission income	**2,016,410**	**4,070**	**600,716**	**—**	**2,621,196**
Net trading gains/(losses)	—	—	85,972	—	85,972
Net gains/(losses) on financial investments	—	—	41,962	—	41,962
Other operating income	54,701	22,538	647	34,594	112,480
Operating expenses	(4,393,147)	(809,371)	(801,865)	(23,962)	(6,028,345)
— Depreciation and amortization	(130,966)	(21,187)	(42,812)	(133)	(195,098)
Impairment losses on assets	(3,927,799)	(648,457)	—	—	(4,576,256)
Profit before income tax	**4,008,399**	**536,238**	**2,236,964**	**10,632**	**6,792,233**
Capital expenditure	**296,916**	**54,731**	**302,264**	**499**	**654,410**

	As of December 31, 2014				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	303,402,800	55,926,527	308,866,846	509,995	668,706,168
Unallocated assets					1,251,278
Total assets					**669,957,446**
Segment liabilities	**(347,729,759)**	**(23,381,998)**	**(265,513,150)**	**(182,367)**	**(636,807,274)**

3. SEGMENT INFORMATION (Continued)

	Year ended December 31, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
			(Unaudited)		
External interest income	19,046,623	3,960,130	24,423,057	—	47,429,810
External interest expense	(10,689,837)	(529,436)	(15,624,786)	—	(26,844,059)
Inter-segment net interest income/ (expenses)	2,841,180	(1,240,937)	(1,600,243)	—	—
Net interest income	11,197,966	2,189,757	7,198,028	—	20,585,751
Net fee and commission income	1,830,229	24,792	2,245,935	—	4,100,956
Net trading gains/(losses)	—	—	2,073	—	2,073
Net gains/(losses) on financial investments	—	—	329,792	—	329,792
Other operating income	37,754	18,964	8,576	46,519	111,813
Operating expenses	(5,000,526)	(947,259)	(2,277,102)	(32,399)	(8,257,286)
— Depreciation and amortization	(105,532)	(17,419)	(85,052)	(123)	(208,126)
Impairment losses on assets	(6,987,969)	(504,718)	—	—	(7,492,687)
Profit before income tax	**1,077,454**	**781,536**	**7,507,302**	**14,120**	**9,380,412**
Capital expenditure	**366,459**	**54,797**	**433,909**	**13**	**855,178**

	As of December 31, 2015				
	Corporate banking	Retail banking	Treasury business	Others	Total
			(Unaudited)		
Segment assets	441,178,017	65,969,587	522,381,314	16,197	1,029,545,115
Unallocated assets					2,105,271
Total assets					1,031,650,386
Segment liabilities	**(504,222,345)**	**(23,470,603)**	**(454,263,462)**	**(36,912)**	**(981,993,322)**

4. NET INTEREST INCOME

	Year ended December 31, 2014	Year ended December 31, 2015 (Unaudited)
Interest income		
Balances with central bank	987,919	1,211,276
Due from banks and other financial institutions	7,359,359	4,388,954
Loans and advances to customers	16,433,411	18,905,466
Financial assets at fair value through profit or loss	196,544	352,436
Financial investments	7,221,238	22,571,678
Subtotal	32,198,471	47,429,810
Including: Interest income from impaired financial assets	45,025	63,476
Interest expense		
Due to banks and other financial institutions	(8,458,075)	(12,402,691)
Customer deposits	(8,165,576)	(11,219,273)
Debt securities issued	(1,039,596)	(3,222,095)
Subtotal	(17,663,247)	(26,844,059)
Net interest income	**14,535,224**	**20,585,751**
Interest income from listed financial investments[(a)]	1,409,434	2,604,820
Interest income from unlisted financial investments	5,811,804	19,966,858

(a) Interest income from listed financial investments is principally derived from debt securities traded within China domestic interbank bond market.

5. NET FEE AND COMMISSION INCOME

	Year ended December 31, 2014	Year ended December 31, 2015 (Unaudited)
Fee and commission income		
Agency service	1,404,549	859,404
Wealth management business	353,864	2,131,103
Custodian and other fiduciary service	266,685	158,955
Credit commitment	265,288	483,520
Underwriting service	275,548	334,565
Settlement business	42,152	84,386
Others	83,227	141,880
Total	2,691,313	4,193,813
Fee and commission expense	**(70,117)**	**(92,857)**
Net fee and commission income	**2,621,196**	**4,100,956**

6. NET TRADING GAINS/(LOSSES)

	Year ended December 31, 2014	Year ended December 31, 2015 (Unaudited)
Net gains/(losses) from		
Trading bonds	87,791	345,555
Derivative financial instruments	(134,572)	(371,486)
Exchange differences	132,753	28,004
Total	**85,972**	**2,073**

7. OTHER OPERATING INCOME

	Year ended December 31,	
	2014	2015
		(Unaudited)
Government grants[(a)]	108,839	99,186
Dividend income	450	550
Gains on disposal of fixed assets	213	340
Other miscellaneous income	2,978	11,737
Total	**112,480**	**111,813**

(a) Government grants mainly include the amounts received from Zhejiang Provincial Bureau of Finance for rewarding the Bank's contribution to the development of local economy.

8. OPERATING EXPENSES

	Year ended December 31,	
	2014	2015
		(Unaudited)
Staff costs	2,722,007	4,304,025
General and administrative expenses	1,670,455	2,046,851
Business tax and surcharges	1,101,360	1,305,448
Depreciation of property, plant and equipment	114,723	120,283
Amortization of intangible assets	18,746	22,102
Amortization of land use rights	11,356	11,356
Amortization of long-term prepaid expenses	50,273	54,385
Rental expenses	306,354	342,303
Auditors' remuneration	1,600	6,150
Donations	8,451	14,015
Others	23,020	30,368
Total	**6,028,345**	**8,257,286**

9. INCOME TAX EXPENSE

	Year ended December 31,	
	2014	2015
		(Unaudited)
Current income tax	2,307,542	3,453,071
Deferred income tax	(610,812)	(1,123,349)
Total	**1,696,730**	**2,329,722**

10. DIVIDEND

The Board did not recommend the payment of dividend in respect of profit for the year ended December 31, 2014. The Board will consider the recommendation of dividend in respect for the year ended December 31, 2015 during 2016.

11. BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share are calculated by dividing the net profit attributable to shareholders of the Bank by the weighted average number of ordinary shares in issue during the years.

	Year ended December 31,	
	2014	2015
		(Unaudited)
Net profit attributable to shareholders of the Bank (in RMB thousands)	5,095,503	7,050,690
Weighted average number of ordinary shares in issue (in thousands)	11,506,872	13,037,079
Basic earnings per share (in RMB yuan)	**0.44**	**0.54**

(b) Diluted earnings per share

For the year ended December 31, 2015, there were no potential diluted ordinary shares, so the diluted earnings per share were the same as the basic earnings per share.

12. LOANS AND ADVANCES TO CUSTOMERS

	As of December 31,	
	2014	2015
		(Unaudited)
Corporate loans and advances	206,951,798	282,311,748
Including: discounted bills	12,802,972	39,827,199
Personal loans and advances	52,070,846	63,111,113
Sub-total	**259,022,644**	**345,422,861**
Allowance for impairment losses	(6,710,208)	(10,193,921)
Total	**252,312,436**	**335,228,940**

	As of December 31,	
	2014	2015
		(Unaudited)
Corporate loans and advances		
— Corporate loans and advances	194,148,826	242,484,549
— Discounted bills	12,802,972	39,827,199
Sub-total	206,951,798	282,311,748
Personal loans and advances		
— Personal business loans	51,263,547	60,304,266
— Residential mortgage loans	659,646	2,204,489
— Others	147,653	602,358
Sub-total	52,070,846	63,111,113
Total	**259,022,644**	**345,422,861**
Less: allowance for impairment losses		
— Collectively assessed	(6,126,006)	(8,340,569)
— Individually assessed	(584,202)	(1,853,352)
Total allowance for impairment losses	**(6,710,208)**	**(10,193,921)**
Loans and advances to customers-net	**252,312,436**	**335,228,940**

13. FINANCIAL INVESTMENTS

	As of December 31,	
	2014	2015
		(Unaudited)
Available-for-sale financial assets		
Listed outside Hong Kong		
— Debt securities	24,209,664	48,072,368
— Interbank certificates of deposit	3,833,788	1,020,035
Unlisted		
— Equity securities	25,000	25,000
Total	**28,068,452**	**49,117,403**
Held-to-maturity investments		
Listed outside Hong Kong		
— Debt securities	**18,693,282**	**29,042,163**
Debt instruments classified as receivables		
Unlisted		
— Debt securities	1,100,000	—
— Wealth management products sponsored by banks	80,329,359	177,613,646
— Trust plans and asset management plans sponsored by other financial institutions[(i)]	76,519,926	251,104,038
— Interbank forfaiting[(ii)]	32,045,537	4,786,979
Total	**189,994,822**	**433,504,663**
Less: Allowance for impairment losses	(290,531)	(1,611,057)
Debt instruments classified as receivables—net	**189,704,291**	**431,893,606**

Debt securities traded within China domestic interbank bond market are included under the category of "Listed outside Hong Kong".

(i) Trust plans and asset management plans by security type:

	As of December 31,	
	2014	2015
		(Unaudited)
Purchased from trust or securities companies		
Guaranteed by bank credit	23,972,941	125,011,561
Guaranteed by third-party companies	18,360,000	28,194,900
Pledged by certificates of deposit	14,859,313	67,440,353
Guaranteed by non-bank financial institutions	300,000	7,801,627
Collateralized by properties	3,080,000	7,572,675
Unsecured	4,930,002	11,784,942
Purchased from commercial banks		
Guaranteed by third-party banks	11,017,670	3,297,980
Total	**76,519,926**	**251,104,038**

13. FINANCIAL INVESTMENTS (Continued)

(ii) Interbank forfaiting are receivables bought by the Bank from the designated negotiating bank under negotiable domestic deferred payment letters of credit. The receivables will be paid irrevocably and unconditionally by the issuing bank of letters of credit on due date.

Financial investments are analyzed by issuer as follows:

	As of December 31,	
	2014	2015
		(Unaudited)
Available-for-sale financial assets		
By issuer:		
— Government	3,902,127	8,831,872
— Banks and other financial institutions	18,112,882	33,052,926
— Corporates	6,028,443	7,207,605
Subtotal	28,043,452	49,092,403
Equity securities	25,000	25,000
Total	**28,068,452**	**49,117,403**
Held-to-maturity investments		
By issuer:		
— Government	2,476,092	9,712,756
— Banks and other financial institutions	15,967,190	19,079,407
— Corporates	250,000	250,000
Total	**18,693,282**	**29,042,163**
Debt instruments classified as receivables		
By issuer:		
— Wealth management products sponsored by other banks	80,329,359	177,613,646
— Trusts and asset management plans sponsored by non-bank financial institutions	76,519,926	251,104,038
— Other products sponsored by other banks and non-bank financial institutions	32,445,537	4,786,979
— Private bonds sponsored by corporates	700,000	—
Total	**189,994,822**	**433,504,663**
Less: Allowance for impairment losses	(290,531)	(1,611,057)
Debt instruments classified as receivables—Net	**189,704,291**	**431,893,606**

Net gains/(loss) on financial investments:

	Year ended December 31,	
	2014	2015
		(Unaudited)
Net gains/(loss) arising from de-recognition of available-for-sale	41,962	329,792

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATION RESULTS

Overview of Operations

In 2015, facing the economic growth slowdown in the PRC, the acceleration of the financial market reforms, increasingly stringent regulatory policies and more fierce interbank competition in the PRC, we, under the leadership of the Board and the supervision of the Supervisory Board, proactively reacted to these challenges. In particular, we accelerated our business transformation and implemented our "full-asset class operation" strategy. We also sought to adhere to stable operations, further diversify our business, strengthen our risk management system, explore business transformation models and enhance our overall profitability.

Stable Profitability

The net profit attributable to our shareholders increased by 38.4% from RMB5,096 million for the year ended December 31, 2014 to RMB7,051 million for the year ended December 31, 2015, primarily due to a rapid growth in our operating income. Our net interest income increased by 41.6% from RMB14,535 million for the year ended December 31, 2014 to RMB20,586 million for the year ended December 31, 2015. Our net fee and commission income increased by 56.5% from RMB2,621 million for the year ended December 31, 2014 to RMB4,101 million for the year ended December 31, 2015, primarily due to an increase in our wealth management business fees. Our return on average total assets decreased from 0.88% for the year ended December 31, 2014 to 0.83% for the year ended December 31, 2015, mainly because our average total assets grew at a higher pace than our net profit did. Our return on average equity increased from 16.72% for the year ended December 31, 2014 to 17.03% for the year ended December 31, 2015, mainly due to a rapid increase in our net profit and improved capital efficiency.

Growing Business Scale

As of December 31, 2015, our total assets increased to RMB1,031,650 million from RMB669,957 million as of December 31, 2014, mainly due to an increase in our loans and advances to customers and financial investments. As of December 31, 2015, our total loans and advances to customers increased to RMB345,423 million from RMB259,023 million as of December 31, 2014. As of December 31, 2015, our net financial investments amounted to RMB510,053 million, as compared to RMB236,466 million as of December 31, 2014. The increase in financial investments was mainly due to the rapid growth in our investments in wealth management products sponsored by banks, trust plans and asset management plans as well as our continued efforts to develop our financial market business and increase our bond investments. As of December 31, 2015, our total customer deposits amounted to RMB516,026 million, compared to RMB363,280 million as of December 31, 2014. The growth of our customer deposits was mainly driven by the increased number of our outlets, product innovation and business synergies.

Controllable Asset Quality

As of December 31, 2015, our non-performing loans and non-performing loan ratio were RMB4,233 million and 1.23% respectively, compared to RMB2,290 million and 0.88% as of December 31, 2014. The increases in our non-performing loans and non-performing loan ratio were mainly attributable to the deterioration of the repayment ability of certain borrowers resulting from the adverse impact of the growth slowdown and structural change of the PRC economy. Our allowance to total loan ratio increased from 2.59% as of December 31, 2014 to 2.95% as of December 31, 2015, and our allowance to non-performing loan ratio declined from 292.96% as of December 31, 2014 to 240.83% as of December 31, 2015, mainly due to a relatively fast growth in the balance of our non-performing loans.

Summary of Key Financial and Operational Indicators

	For the year ended December 31,	
	2014	2015
		(Unaudited)
Profitability indicators		
Return on average total assets(1)	0.88%	0.83%
Return on average equity(2)	16.72%	17.03%
Net interest spread(3)	2.38%	2.12%
Net interest margin(4)	2.62%	2.31%
Net fee and commission income to operating income(5)	15.07%	16.32%
Cost-to-income ratio(6)	28.32%	27.66%

Notes:

(1) Calculated by dividing the net profit attributable to shareholders of the Bank for the year by the average balance of total assets at the beginning and at the end of the year.

(2) Calculated by dividing the net profit attributable to shareholders of the Bank for the year by the average balance of shareholders' equity at the beginning and at the end of the year.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by average balance of total interest-earning assets.

(5) Calculated by dividing net fee and commission income by operating income.

(6) Calculated by dividing total operating expenses (excluding business tax and surcharges) by operating income.

	As of December 31,	
	2014	2015
		(Unaudited)
Capital adequacy indicators		
Calculated based on Capital Administrative Measures		
Core tier-one capital adequacy ratio(1)	8.62%	9.35%
Tier-one capital adequacy ratio(2)	8.62%	9.35%
Capital adequacy ratio(3)	10.60%	11.04%
Total shareholders' equity to total assets	4.95%	4.81%
Asset quality indicators		
Non-performing loan ratio(4)	0.88%	1.23%
Allowance to non-performing loans(5)	292.96%	240.83%
Allowance to total loans(6)	2.59%	2.95%

Notes:

(1) Core tier-one capital adequacy ratio = (core tier-one capital—core tier- one capital deductions)/risk-weighted assets.

(2) Tier-one capital adequacy ratio = (tier- one capital—tier- one capital deductions)/risk-weighted assets.

(3) Capital adequacy ratio = (total capital—capital deductions)/risk-weighted assets.

(4) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.

(5) Allowance to non-performing loans = the allowance for impairment losses on loans and advances to customers/total non-performing loans.

(6) Allowance to total loans = the allowance for impairment losses on loans and advances to customers/total loans and advances to customers.

Analysis of Key Items in the Consolidated Income Statement

Net Interest Income, Net Interest Spread and Net Interest Margin

The following table sets forth the average balance of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yield on interest-earning assets or related average cost of interest-bearing liabilities for the years indicated.

	For the year ended December 31,					
	2014			2015		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
					(Unaudited)	
	(In millions of RMB, except percentages)					
Interest-earning assets						
Loans and advances to customers	239,699	16,433	6.86%	320,958	18,905	5.89%
Financial investments	122,151	7,221	5.91%	391,300	22,572	5.77%
Due from banks and other financial institutions	125,660	7,359	5.86%	91,588	4,389	4.79%
Balances with central bank(1)	64,088	988	1.54%	78,166	1,211	1.55%
Financial assets at fair value through profit or loss	3,073	197	6.40%	7,437	352	4.74%
Total interest-earning assets	**554,671**	**32,198**	**5.80%**	**889,449**	**47,430**	**5.33%**
Interest-bearing liabilities						
Customer deposits	328,233	8,166	2.49%	448,531	11,219	2.50%
Due to banks and other financial institutions	167,307	8,458	5.06%	314,866	12,403	3.94%
Debt securities issued	19,823	1,040	5.24%	72,397	3,222	4.45%
Total interest-bearing liabilities	**515,364**	**17,663**	**3.43%**	**835,795**	**26,844**	**3.21%**
Net interest income		14,535			20,586	
Net interest spread(2)			2.38%			2.12%
Net interest margin(3)			2.62%			2.31%

Notes:

(1) Mainly include mandatory deposit reserves and surplus deposit reserves.

(2) Calculated by the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(3) Calculated by dividing net interest income by average balance of total interest-earning assets.

Interest Income

Our interest income increased by 47.3% from RMB32,198 million for the year ended December 31, 2014 to RMB47,430 million for the year ended December 31, 2015, primarily due to an increase in the average balance of interest-earning assets, which was partially offset by a decrease in the average yield on interest-earning assets.

Interest income from loans and advances to customers

Our interest income from loans and advances to customers increased by 15.0% from RMB16,433 million for the year ended December 31, 2014 to RMB18,905 million for the year ended December 31, 2015, primarily due to an increase in the average balances of loans and advances to customers, which was partially offset by a decrease in the average yield on loans. Our average yield from loans and advances to customers decreased from 6.86% for the year ended December 31, 2014 to 5.89% for the year ended December 31, 2015, primarily because the PBOC made several reductions of the benchmark interest rates on loans in 2015.

Interest income from financial investments

Our interest income from financial investment increased by 212.6% from RMB7,221 million for the year ended December 31, 2014 to RMB 22,572 million for the year ended December 31, 2015, primarily because we capitalized on the market interest rate trend change, optimized our assets structure in accordance with our demand for assets management and moderately increased our bond investments and our investments with other financial institutions, particularly investments in asset management plans, trust plans and wealth management products sponsored by other banks.

Interest income from due from banks and other financial institutions

The interest income from due from banks and other financial institutions includes the interest income from our deposits and placements with banks and other financial institutions as well as the interest income from our financial assets held under resale agreements. Our interest income from due from banks and other financial institutions decreased by 40.4% from RMB7,359 million for the year ended December 31, 2014 to RMB4,389 million for the year ended December 31, 2015, primarily because (i) the average balance of due from banks and other financial institutions decreased, which resulted in a decrease in the corresponding interest income; and (ii) the PBOC lowered the mandatory reserve requirement ratios and the benchmark interest rates on loans and deposits several times in 2015, which led to a decrease in market interest rates, and a decrease in the interest income.

Interest income from balances with central bank

Our interest income from balances with central bank increased by 22.6% from RMB988 million for the year ended December 31, 2014 to RMB 1,211 million for the year ended December 31, 2015, primarily due to an increase in our deposits, which led to an increase in our average balances with central bank.

Interest income from financial assets at fair value through profit or loss

Our interest income from financial assets at fair value through profit or loss increased by 79.3% from RMB197 million for the year ended December 31, 2014 to RMB 352 million for the year ended December 31, 2015, primarily due to a rapid increase in the bonds at fair value through profit or loss.

Interest Expenses

Our interest expenses increased by 52.0% from RMB17,663 million for the year ended December 31, 2014 to RMB26,844 million for the year ended December 31, 2015, primarily due to an increase in the average balance of interest-bearing liabilities, partially offset by a decrease in the average cost of interest-bearing liabilities.

Interest expenses on customer deposits

Our interest expense from customer deposits increased by 37.4% from RMB8,166 million for the year ended December 31, 2014 to RMB11,219 million for the year ended December 31, 2015, primarily due to the continued growth in our deposit balances.

Interest expenses on due to banks and other financial institutions

Our interest expense on due to banks and other financial institutions includes the interest expense on deposits and placements from banks and other financial institutions as well as interest expense on financial assets sold under repurchase agreements. Our interest expense on due to banks and other financial institutions decreased by 46.6% from RMB8,458 million for the year ended December 31, 2014 to RMB12,403 million for the year ended December 31, 2015, primarily due to an increase in the average balance of our deposits and placements from banks and other financial institutions and an increase in the trading volume of the bonds sold under repurchase agreements, partially offset by a decreased funding cost resulting from increased market liquidity in 2015.

Interest expenses on debt securities issued

Our interest expenses on debt securities issued increased by 209.9% from RMB1,040 million for the year ended December 31, 2014 to RMB3,222 million for the year ended December 31, 2015, primarily due to an increase in the issuance of interbank certificates of deposits.

Net Interest Spread and Net Interest Margin

Our net interest spread decreased from 2.38% for the year ended December 31, 2014 to 2.12% for the year ended December 31, 2015, and our net interest margin decreased from 2.62% for the year ended December 31, 2014 to 2.31% for the year ended December 31, 2015, primarily because the yield on our interest-earning assets decreased faster than the cost of our interest-bearing liabilities, as a result of the reform and liberalization of interest rates and the intensified competition among banks and other financial institutions along with several rounds of reductions of benchmark interest rates by the PBOC.

Net Fee and Commission Income

Our net fee and commission income increased from RMB2,621 million for the year ended December 31, 2014 to RMB4,101 million for the year ended December 31, 2015, primarily due to an increase in our income from wealth management business and credit commitment.

Net Trading Gains/(Losses)

Our net trading gains decreased by 97.6% from RMB86 million for the year ended December 31, 2014 to RMB2 million for the year ended December 31, 2015, primarily because (i) we conducted cross-market arbitrage transactions and incurred a cost of RMB353 million from converting low-interest USD-denominated assets to high-interest RMB-denominated assets through foreign exchange swaps or currency swaps. We recorded such cost as trading loss arising from derivative instruments, and the corresponding income was recorded as interest income, the difference of which was recorded as net gains; and (ii) we increased the trading frequency and trading volume of held-for-trading bonds and recorded net trading gains of RMB346 million from the trading of RMB-denominated bonds, representing an increase of RMB258 million for the year ended December 31, 2014.

Net Gains/(Losses) on Financial Investments

Our net gains on financial investments for the year ended December 31, 2015 were RMB330 million, while net gains on financial investments for the year ended December 31, 2014 were RMB42 million, primarily due to (i) a significant increase in our available-for-sale financial assets; and (ii) a significant increase in the price of our existing bonds as a result of a decrease in the market interest rates in an environment with easing monetary policies. This in turn resulted in a year-on-year growth in investment gains on the bonds we sold.

Operating Expenses

Our operating expenses increased by 37.0% from RMB6,028 million for the year ended December 31, 2014 to RMB8,257 million for the year ended December 31, 2015, mainly due to our business expansion and an increase in the number of our outlets and employees.

Impairment Losses on Assets

Our impairment losses on assets for the year ended December 31, 2015 were RMB7,493 million, representing an increase of 63.7% as compared to RMB4,576 million for the year ended December 31, 2014, mainly because (i) our loan balances continued to increase; (ii) considering a number of factors including the slowdown of the PRC's economic growth, we prudently increased the provision along with the increase in our non-performing loans to enhance our capability to resist risks; (iii) we disposed of non-performing loans in a timely and efficient manner, and the non-performing loans that were written off and transferred out increased accordingly; and (iv) our provision for impairment losses on debt instruments classified as receivables increased.

Income Tax Expenses

Our income tax increased by 37.3% from RMB1,697 million for the year ended December 31, 2014 to RMB2,330 million for the year ended December 31, 2015.

Analysis of Key Items of Financial Position

Assets

As of December 31, 2015, our total assets were RMB1,031,650 million, representing an increase of 54.0% as compared to RMB669,957 million for the year ended December 31, 2014. The increase in total assets was mainly due to an increase in our loans and advances to customers and financial investments.

The following table sets forth each of the components of our total assets as of the dates indicated.

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Assets				
Loans and advances to customers	259,023	38.7%	345,423	33.5%
Allowance for impairment losses	(6,710)	(1.0%)	(10,194)	(1.0%)
Loans and advances to customers, net	252,312	37.7%	335,229	32.5%
Financial investments	236,466	35.3%	510,053	49.4%
Financial assets at fair value through profit or loss	4,191	0.6%	10,795	1.0%
Derivative financial assets	113	0.0%	459	0.0%
Due from banks and other financial institutions	93,686	14.0%	76,607	7.4%
Cash and balances with central bank	75,427	11.3%	87,650	8.5%
Others(1)	7,762	1.2%	10,857	1.1%
Total assets	**669,957**	**100.0%**	**1,031,650**	**100.0%**

Note:
(1) Mainly include fixed assets, deferred income tax assets, precious metal and other assets.

Loans and Advances to Customers

Our total loans and advances to customers amounted to RMB345,423 million as of December 31, 2015, representing an increase of 33.4% as compared to RMB259,023 million as of December 31, 2014.

The following table sets forth the distribution of our loans by business type as of the dates indicated.

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Corporate loans and advances	206,952	79.9%	282,312	81.7%
Including: discounted bills	12,803	4.9%	39,827	11.5%
Personal loans and advances	52,071	20.1%	63,111	18.3%
Total	**259,023**	**100.0%**	**345,423**	**100.0%**

Corporate Loans and Advances

Our corporate loans amounted to RMB282,312 million as of December 31, 2015, representing an increase of 36.4% as compared to RMB206,952 million as of December 31, 2014, mainly because we continued to strengthen our cooperation with quality core clients and increased loan extension to the real economy enterprises. In particular, we continued to develop our featured business for small and micro enterprises, resulting in a steady increase in the total loans and advances extended to such enterprises. Meanwhile, as the number of our services outlets increased nationwide, the total amount of our corporate loans and advances increased accordingly.

The following table sets forth the distribution of our corporate loans by size of corporate borrowers as of the dates indicated.

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Large enterprises[(1)]	73,811	35.7%	103,227	36.6%
Medium enterprises[(1)]	81,517	39.4%	95,675	33.9%
Small enterprises[(1)]	29,784	14.4%	33,458	11.9%
Micro enterprises[(1)]	9,037	4.4%	10,125	3.6%
Discounted bills	12,803	6.2%	39,827	14.1%
Total	**206,952**	**100.0%**	**282,312**	**100.0%**

Note:

(1) The classification criteria for large, medium, small and micro enterprises are made pursuant to the Classification Standards of Small and Medium Enterprises (《中小企業劃型標準規定》) jointly promulgated by the PRC Ministry of Industry and Information Technology, the NBS, the NDRC and the MOF in 2011.

Loans extended to large enterprises increased by 39.9% from RMB73,811 million as of December 31, 2014 to RMB103,227 million as of December 31, 2015, accounting for 36.6% of our total corporate loans and advances. From December 31, 2014 to December 31, 2015, the increase in our loans to large enterprises was mainly due to our continued business cooperation with large quality enterprises and our further enhanced ability to service large quality customers by providing innovative products. See "Business—Our Principal Businesses—Corporate Banking Business—Customer Base."

Loans extended to medium enterprises increased by 17.4% from RMB81,517 million as of December 31, 2014 to RMB95,675 million as of December 31, 2015, accounting for 33.9% of our total corporate loans and advances. From December 31, 2014 to December 31, 2015, the increase in our loans to medium enterprises was mainly because we proactively expanded our customer base and developed quality customers among medium enterprises.

Our loans to small and micro enterprises increased by 12.3% from RMB38,821 million as of December 31, 2014 to RMB43,583 million as of December 31, 2015, accounting for 15.4% of our total corporate loans and advances. From December 31, 2014 to December 31, 2015, the increase in our loans to small and micro enterprises was mainly because we enhanced our marketing efforts targeting small and micro enterprises and maintained a steady growth in the loans to small and micro enterprises.

Personal Loans and Advances

Personal loans and advances increased by 21.2% from RMB52,071 million as of December 31, 2014 to RMB63,111 million as of December 31, 2015, mainly due to an increase in our personal business loans and residential mortgage loans.

The following table sets forth our personal loans breakdown by product type as of the dates indicated.

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Personal business loans	51,264	98.4%	60,304	95.6%
Residential mortgage loans	660	1.3%	2,204	3.5%
Others(1)	148	0.3%	602	1.0%
Total	**52,071**	**100.0%**	**63,111**	**100.0%**

Note:

(1) Mainly includes personal consumption loans and credit card overdrafts.

As of December 31, 2015, our personal business loans recorded an increase as compared to that as of December 31, 2014, primarily because we launched innovative products and refined our credit policies with respect to type of security, loan term, draw-down and repayment for small and micro loans, following the market development trends of emerging industries and the national policy in support of small and micro loans. In addition, we increased our marketing efforts for such products.

As of December 31, 2015, our personal residential mortgage loans recorded an increase as compared to that as of December 31, 2014, primarily because we started to leverage residential mortgage loans as a means to attract quality customers in 2015 and strengthened the marketing efforts for such loans, thereby significantly increasing the balance of residential mortgage loans.

Distribution of Corporate Loans and Advances by Industry

The following table sets forth the distribution of our corporate loans and advances by industry as of the dates indicated:

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Manufacturing	44,520	21.5%	50,796	18.0%
Wholesale and retail trade	30,284	14.6%	36,978	13.1%
Real estate	35,172	17.0%	39,878	14.1%
Leasing and commercial services	28,295	13.7%	37,390	13.2%
Administration of water conservancy, environment and public facilities	15,183	7.3%	21,765	7.7%
Construction	16,981	8.2%	21,415	7.6%
Transportation, storage and postal service	5,987	2.9%	6,540	2.3%
Electricity, gas and water production and supply	4,205	2.0%	3,775	1.3%
Accommodation and catering	3,195	1.5%	3,857	1.4%
Financing	573	0.3%	5,932	2.1%
Mining	3,194	1.5%	3,986	1.4%
Public administration and social organizations	1,561	0.8%	2,518	0.9%
Culture, sports and entertainment	744	0.4%	2,185	0.8%
Agriculture, forestry, animal husbandry and fishery	972	0.5%	1,596	0.6%
Information transmission, computer services and software	1,243	0.6%	1,472	0.5%
Household services and other services	489	0.2%	1,052	0.4%
Scientific research, technology services and geological prospecting	520	0.3%	528	0.2%
Health, social security and social welfare	498	0.2%	425	0.2%
Education	533	0.3%	397	0.1%
Discounted bills	12,803	6.2%	39,827	14.1%
Total	**206,952**	**100.0%**	**282,312**	**100.0%**

Borrowers Concentration

Ten Largest Single Borrowers by Borrowing Amount

As of December 31, 2015, the balance of our loans to any single borrower does not exceed 10% of our net regulatory capital. The following table sets forth the borrowing amounts of the ten largest single borrowers as of December 31, 2015, calculated based on the applicable CBRC requirements. As of December 31, 2015, all loans extended to these borrowers were classified as pass loans.

	As of December 31, 2015				
Borrower	**Industry**	**Balance[1]**	**% of total loans**	**% of net regulatory capital[2]**	**Categorization**
		(Unaudited) **(In millions of RMB, except percentages)**			
Borrower A	Wholesale and retail trade	2,291	0.7%	3.9%	Pass
Borrower B	Financing	2,000	0.6%	3.4%	Pass
Borrower C	Real estate	1,103	0.3%	1.9%	Pass
Borrower D	Real estate	1,100	0.3%	1.9%	Pass
Borrower E	Real estate	1,100	0.3%	1.9%	Pass
Borrower F	Wholesale and retail trade	1,067	0.3%	1.8%	Pass
Borrower G	Construction	1,060	0.3%	1.8%	Pass
Borrower H	Culture, sports and entertainment	1,039	0.3%	1.8%	Pass
Borrower I	Administration of water conservancy, environment and public facilities	1,000	0.3%	1.7%	Pass
Borrower J	Real estate	1,000	0.3%	1.7%	Pass
Total		**12,761**	**3.7%**	**21.5%**	

Notes:

(1) Includes discounted bills.

(2) Represents loan balances as a percentage of our net regulatory capital, which is calculated according to the requirements of Capital Administrative Measures and financial statements prepared pursuant to PRC GAAP.

Ten Largest Group Borrowers by Credit Amount

Under current PRC banking regulations, the aggregate amount of credit extended to any group borrower may not exceed 15% of our net regulatory capital. The following table sets forth the ten largest group borrowers in terms of credit extended as of December 31, 2015. As of December 31, 2015, all these loans were classified as pass loans.

Borrower	As of December 31, 2015 Industry	Balance[(1)]	% of net regulatory capital[(2)]	Categorization
	(Unaudited) (In millions of RMB, except percentages)			
Group A	Manufacturing	7,790	13.1%	Pass
Group B	Real estate	3,000	5.1%	Pass
Group C	Manufacturing	2,191	3.7%	Pass
Group D	Wholesale and retail trade	2,187	3.7%	Pass
Group E	Manufacturing	2,014	3.4%	Pass
Group F	Financing	2,000	3.4%	Pass
Group G	Manufacturing	1,997	3.4%	Pass
Group H	Leasing and commercial services	1,808	3.0%	Pass
Group I	Wholesale and retail trade	1,641	2.8%	Pass
Group J	Mining	1,242	2.1%	Pass
Total		**25,871**	**43.6%**	

Notes:

(1) Includes discounted bills and excludes security deposits, bank deposit slips and treasury bonds.

(2) Represents the balance, net of security deposits, bank deposit slips and treasury bonds, as a percentage of our net regulatory capital. It is calculated according to the requirements of Capital Administrative Measures and financial statements prepared pursuant to PRC GAAP.

Asset Quality of Our Loan Portfolio

Five-category Loan Classification

As of December 31, 2015, the balance of our non-performing loans amounted to RMB4,233 million, representing an increase of 84.8% as compared to RMB2,290 million as of December 31, 2014, primarily due to the slowdown of the PRC economic growth and a deterioration of the repayment ability of certain clients.

The following table sets forth our loans and advances to customers by our five-category loan classification as of December 31, 2014 and 2015.

	As of December 31, 2014 Amount	% of total	2015 Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Pass	253,093	97.7%	334,754	96.9%
Special mention	3,639	1.4%	6,436	1.9%
Substandard	1,504	0.6%	2,077	0.6%
Doubtful	769	0.3%	1,903	0.6%
Loss	17	0.0%	253	0.1%
Total	**259,023**	**100.0%**	**345,423**	**100.0%**
Non-performing loan ratio		0.88%		1.23%

Distribution of Non-performing Corporate Loans by Industry

The following table sets forth the distribution of our non-performing corporate loans by industry as of the dates indicated:

	As of December 31,					
	2014			2015		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
				(Unaudited)		
	(In millions of RMB, except percentages)					
Manufacturing	1,300	67.4%	2.92%	2,047	55.0%	4.03%
Wholesale and retail trade	403	20.9%	1.33%	891	23.9%	2.41%
Real estate	—	—	—	278	7.5%	0.70%
Leasing and commercial services	48	2.5%	0.17%	39	1.1%	0.11%
Administration of water conservancy, environment and public facilities	—	—	—	—	—	—
Construction	75	3.9%	0.44%	329	8.8%	1.54%
Transportation, storage and postal service	77	4.0%	1.29%	5	0.1%	0.07%
Electricity, gas and water production and supply	—	—	—	2	0.0%	0.04%
Accommodation and Catering	5	0.3%	0.15%	32	0.9%	0.84%
Financing	—	—	—	—	—	—
Mining	—	—	—	63	1.7%	1.59%
Public administration and social organizations	—	—	—	—	—	—
Culture, sports and entertainment	5	0.2%	0.64%	20	0.5%	0.91%
Agriculture, forestry, animal husbandry and fishery	15	0.8%	1.58%	4	0.1%	0.24%
Information transmission, computer services and software	1	0.1%	0.10%	6	0.2%	0.41%
Household services and other services	—	—	—	—	—	—
Scientific research, technology services and geological prospecting	—	—	—	2	0.1%	0.47%
Health, social security and social welfare	—	—	—	—	—	—
Education	—	—	—	6	0.2%	1.50%
Discounted bills	—	—	—	—	—	—
Total	**1,930**	**100.0%**	**0.93%**	**3,724**	**100.0%**	**1.32%**

Note:

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful and loss) in each industrial category by total loans and advances in that industrial category.

As of December 31, 2015, 55.0% of our non-performing corporate loans were attributable to the manufacturing industry, mainly because corporate loans to manufacturing customers are the largest component of our corporate loans and advances. As of December 31, 2014 and 2015, our non-performing loan ratios of corporate loans and advances in the manufacturing industry were 2.92% and 4.03%, respectively, reflecting the deterioration of the profitability and repayment ability of certain borrowers in the manufacturing industry due to the adverse impact of the economic growth slowdown. The percentage of our non-performing loans in the manufacturing industry to the total non-performing corporate loans and advances decreased from 67.4% as of December 31, 2014 to 55.0% as of December 31, 2015, primarily because we adjusted our loan extension policies, enhanced our credit review criteria based on the industry risk assessment, and decreased the percentage of loans extended to the manufacturing industry.

As of December 31, 2014 and 2015, our non-performing loans in the wholesale and retail trade industry accounted for 20.9% and 23.9% of our total non-performing corporate loans, respectively. The overall increase in the percentage of the non-performing loans in this industry from December 31, 2014 to December 31, 2015 was mainly due to the deterioration of the profitability and repayment ability of certain wholesale and retail customers as a result of the economic growth slowdown.

Distribution of Non-Performing Loans by Product Type

The following table sets forth the distribution of our non-performing loans by product type as of the dates indicated:

	As of December 31,					
	2014			2015		
	Amount	% of total	NPL ratio(1)	Amount	% of total	NPL ratio(1)
				(Unaudited)		
	(In millions of RMB, except percentages)					
Corporate loans and advances						
Short-term loans(2)	1,879	82.0%	1.56%	3,280	77.5%	2.51%
Medium- and long-term loans	51	2.2%	0.06%	444	10.5%	0.40%
Subtotal	1,930	84.2%	0.93%	3,724	88.0%	1.32%
Personal loans and advances						
Personal business loans	359	15.7%	0.70%	506	12.0%	0.84%
Personal residential mortgage loans	2	0.1%	0.25%	1	0.0%	0.06%
Others(3)	—	—	—	1	0.0%	0.24%
Subtotal	361	15.8%	0.69%	509	12.0%	0.81%
Total	**2,290**	**100.0%**	**0.88%**	**4,233**	**100.0%**	**1.23%**

Notes:

(1) Calculated by dividing non-performing loans (loans classified as substandard, doubtful and loss) in each product type by total loans and advances in that product type.

(2) Include discounted bills.

(3) Mainly include personal consumption loans and credit card overdrafts.

As of December 31, 2014 and 2015, our non-performing loan ratios were 0.88% and 1.23%, respectively. As of December 31, 2014 and 2015, the non-performing loan ratios of our corporate loans and advances (including discounted bills) were 0.93% and 1.32%, respectively. As of December 31, 2014 and 2015, the non-performing loan ratios of our personal loans and advances were 0.69% and 0.81%, respectively. During the period from 2014 to 2015, the increase in the non-performing loan ratios of our corporate and personal loans and advances was primarily because the repayment ability of certain customers weakened as a result of the slowdown and the structural adjustment of the PRC economy.

Overdue Loans

The following table sets forth our overdue loans to customers as of the dates indicated:

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Not overdue	254,799	98.4%	339,111	98.2%
Overdue by:[1]				
1 to 90 days	1,992	0.8%	2,574	0.7%
91 days to one year	1,884	0.7%	2,676	0.8%
More than one year	347	0.1%	1,062	0.3%
Total overdue loans	4,224	1.6%	6,312	1.8%
Total loans and advances to customers	**259,023**	**100.0%**	**345,423**	**100.0%**

Note:
(1) Refers to loans for which principal or interest are overdue.

Distribution of Loans by Geographical Region

The following table sets forth the distribution of loans by geographical region as of December 31, 2014 and 2015.

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Eastern China	157,109	60.7%	200,044	57.9%
Northern China	50,039	19.3%	65,893	19.1%
Western China	40,756	15.7%	54,168	15.7%
Southern China	11,119	4.3%	25,319	7.3%
Total	**259,023**	**100.0%**	**345,423**	**100.0%**

Distribution of Loans by Security Type

The following table sets forth the distribution of our loans and advances to customers by security type as of December 31, 2014 and 2015.

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Collateralized loans[1]	140,581	54.3%	149,906	43.4%
Pledged loans[1]	17,047	6.6%	40,866	11.8%
Guaranteed loans[1]	70,513	27.2%	90,575	26.2%
Unsecured loans[1]	18,079	7.0%	24,248	7.0%
Discounted bills	12,803	4.9%	39,827	11.5%
Total	**259,023**	**100.0%**	**345,423**	**100.0%**

Note:
(1) In the case where a loan is secured by multiple security methods, the classification of the entire loan is based on the major security type.

Movements in Allowance for Impairment Losses on Loans to Customers

As of December 31, 2015, the allowance for impairment losses on loans to customers amounted to RMB10,194 million, representing an increase of 51.9% as compared to RMB 6,710 million as of December 31, 2014, primarily because (i) our allowance for impairment losses increased as the balance of our loans increased; and (ii) in accordance with the principle of prudence, we increased the provision along with the increase in our non-performing loans to enhance our ability to resist risks in light of the slowdown of the PRC economic growth.

The following table sets forth the movements in allowance for impairment on loans and advances to customers as of December 31, 2014 and 2015:

	For the year ended December 31,	
	2014	2015
		(Unaudited)
	(In millions of RMB)	
Balance at the beginning of the year	4,566	6,710
Net impairment allowances charged to profit or loss	4,280	6,157
Unwinding of discount on allowance	(45)	(63)
Write-offs	(497)	(1,123)
Transfer out	(1,603)	(1,571)
Recoveries	8	80
Exchange differences	1	3
Balance at the end of the year	**6,710**	**10,194**

Financial Investments

As of December 31, 2015, our net financial investments amounted to RMB510,053 million, representing an increase of 115.7% as compared to RMB236,466 million as of December 31, 2014, primarily due to the relatively rapid growth of our investments in wealth management products sponsored by banks, trust plans and asset management plans, as well as our continued efforts to develop our financial market business and increase our bond investments.

The following table sets forth the breakdown of our financial investments by investment intention as of December 31, 2014 and 2015:

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Financial investments				
Available-for-sale financial assets	28,068	11.9%	49,117	9.6%
Held-to-maturity investments	18,693	7.9%	29,042	5.7%
Debt instruments classified as receivables	189,704	80.2%	431,894	84.7%
Total	**236,466**	**100.0%**	**510,053**	**100.0%**

The following table sets forth the distribution of our investment securities and other financial investments by bond investments and equity investments as of the dates indicated.

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Total debt investments				
Bond investments	44,003	18.6%	77,115	15.1%
Wealth management products sponsored by banks	80,329	33.9%	177,614	34.7%
Trust plans and asset management plans sponsored by other financial institutions	76,520	32.3%	251,104	49.1%
Interbank forfaiting	32,046	13.5%	4,787	0.9%
Interbank certificates of deposits	3,834	1.6%	1,020	0.2%
Sub-total	236,732	100.0%	511,639	100.0%
Total equity investments(1)	25	0.0%	25	0.0%
Total financial investments	**236,757**	**100.0%**	**511,664**	**100.0%**
Allowance for impairment losses	(291)		(1,611)	
Net financial investments	**236,466**		**510,053**	

Note:

(1) Represents our equity investment in China UnionPay.

As of December 31, 2015, our investments in wealth management products sponsored by banks amounted to RMB177,614 million, representing an increase of 121.1% from RMB80,329 million as of December 31, 2014. As of December 31, 2015, our investments in trust plans and asset management plans sponsored by other financial institutions amounted to RMB251,104 million, representing an increase of 228.2% from RMB76,520 million as of December 31, 2014, primarily because, in accordance with market trends and our need for asset management, we optimized our asset allocation and increased our investments with other financial institutions to seek a better return for our investment portfolio.

As of December 31, 2015, our allowance for impairment losses on financial investments amounted to RMB1,611 million, representing an increase of 454.5% from RMB291 million as of December 31, 2014, mainly because (i) the balance of our debts instruments classified as receivables increased rapidly compared to that in 2014; and (ii) we have enhanced the general provision on the financial investments to further improve our risk resistance capability.

Other Components of Our Assets

Other components of our assets include (i) cash and balances with central bank; (ii) due from banks and other financial institutions; and (iii) others.

As of December 31, 2015, our cash and balances with central bank were RMB87,650 million in total, representing an increase of 16.2% as compared to RMB75,427 million as of December 31, 2014, mainly due to the growth in our deposits, which led to an increase in our mandatory reserve deposits.

As of December 31, 2015, our amounts due from banks and other financial institutions were RMB76,607 million, representing a decrease of 18.2% as compared to RMB93,686 million as of

December 31, 2014, mainly because we optimized our asset structure in accordance with our need for asset management and moderately reduced the allocation to deposits and placements with banks and other financial institutions.

As of December 31, 2015, other items in our assets were RMB10,857 million, representing an increase of 39.9% as compared to RMB7,762 million as of December 31, 2014, mainly due to an increase in our property and equipment and deferred income tax assets.

Liabilities

As of December 31, 2015, our total liabilities were RMB981,993 million, representing an increase of 54.2% as compared to RMB636,807 million as of December 31, 2014.

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Customer deposits	363,280	57.0%	516,026	52.5%
Due to banks and other financial institutions	214,998	33.8%	354,657	36.1%
Derivative financial liabilities	207	0.0%	635	0.1%
Income tax payable	835	0.1%	1,595	0.2%
Debt securities issued	47,898	7.5%	89,936	9.2%
Others[(1)]	9,589	1.5%	19,144	1.9%
Total	**636,807**	**100.0%**	**981,993**	**100.0%**

Note:

(1) Includes financial liabilities at fair value through profit or loss and other liabilities.

Customer Deposits

As of December 31, 2015, our total customer deposits were RMB516,026 million, representing an increase of 42.0% as compared to RMB363,280 million as of December 31, 2014, mainly due to (i) an increase in the number of our outlets; (ii) more active promotion of innovative products such as Bills Pool, domestic letters of credit and electronic certificates of deposits, which attracted more settlement deposits; and (iii) the strengthened synergies among our corporate banking, investment banking and financial market businesses to provide comprehensive financial service solutions, which strengthened our cooperation with clients and increased corporate deposits.

The following table sets forth our customer deposits by product types as of December 31, 2014 and 2015.

	As of December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
			(Unaudited)	
	(In millions of RMB, except percentages)			
Corporate deposits				
Demand	125,004	34.4%	179,986	34.9%
Time	211,917	58.3%	310,116	60.1%
Sub-total	336,921	92.7%	490,101	95.0%
Individual deposits				
Demand	5,297	1.5%	6,382	1.2%
Time	17,447	4.8%	15,299	3.0%
Sub-total	22,743	6.3%	21,681	4.2%
Other deposits[1]	3,616	1.0%	4,244	0.8%
Total	**363,280**	**100.0%**	**516,026**	**100.0%**

Note:
(1) Includes remittance payables and temporary deposits, outward remittance and structured deposits, etc.

Due to banks and other financial institutions

As of December 31, 2015, our amounts due to banks and other financial institutions were RMB354,657 million, representing an increase of 65.0% as compared to RMB214,998 million as of December 31, 2014, mainly due to our strengthened cooperation with other financial institutions, which led to an increase in the credit amount other banks extended to us and the deposits from other banks and other financial institutions to meet the funding demand of our rapidly developed business.

Debt Securities Issued

As of December 31, 2015, our balances of debt securities issued were RMB89,936 million, representing an increase of 87.8% as compared to RMB47,898 million as of December 31, 2014, mainly due to an increase in the volume of our interbank certificates of deposits.

Shareholders' equity

As of December 31, 2015, our shareholders' total equity was RMB49,657 million, representing an increase of 49.8% as compared to RMB33,150 million as of December 31, 2014. The increase of shareholders' equity was mainly due to our increased capital of RMB8,648 million and increased net profit in 2015.

Off-balance sheet commitments

	As of December 31,	
	2014	2015
		(Unaudited)
	(In millions of RMB)	
Acceptances	76,791	122,165
Letters of credit issued	37,896	88,744
Letters of guarantee issued	31,078	43,031
Loan commitments	125	5,389
Unused credit card limit	—	2,806
Sub-total	**145,889**	**262,134**
Operating leasing commitment	1,936	2,077
Capital commitment	300	473
Sub-total	**2,236**	**2,550**

In addition, we or our subsidiaries were not acting as a defendant in any material legal proceedings as of December 31, 2015.

Segment Report

Geographical Segment Report

We operate in Mainland China.

The geographical distribution is as follows:

Mainland China (headquarters and branches):

Geographically, we mainly conduct our business in the four areas listed below in Mainland China.

- "Eastern China" refers to the head office and the following areas serviced by the tier-one branches of the Bank: Head Office, Hangzhou, Ningbo, Wenzhou, Yiwu, Shaoxing, Shanghai, Nanjing, Suzhou, Zhoushan;
- "Northern China" refers to the following areas serviced by the tier-one branches of the Bank: Beijing, Tianjin, Jinan, Shenyang;
- "Southern China" refers to the following areas serviced by the tier-one branches of the Bank: Shenzhen, Guangzhou; and
- "Western China" refers to the following areas serviced by the tier-one branches of the Bank: Chengdu, Xi'an, Lanzhou, Chongqing, Wuhan.

The table below sets forth certain key financial indicators of each of our geographical regions of our head office and branches as of the years indicated.

	Year ended December 31, 2014					
	Eastern China	Northern China	Southern China	Western China	Elimination	Total
	(In millions of RMB)					
External interest income	19,914	6,753	969	4,561	—	32,198
External interest expense	(10,412)	(4,404)	(651)	(2,196)	—	(17,663)
Inter-segment net interest income/(expenses)	(1,368)	992	238	139	—	—
Net interest income	**8,135**	**3,341**	**556**	**2,504**	**—**	**14,535**
Net fee and commission income	**1,550**	**417**	**63**	**591**	**—**	**2,621**
Net trading gains/(losses)	86	—	—	—	—	86
Net gains/(losses) on financial investments	42	—	—	—	—	42
Other operating income/(expenses)	132	(41)	3	18	—	112
Operating expenses	(3,786)	(1,162)	(212)	(869)	—	(6,028)
— Depreciation and amortization	(152)	(25)	(3)	(15)	—	(195)
Impairment losses on assets	(3,518)	(580)	(81)	(397)	—	(4,576)
Profit before income tax	**2,641**	**1,975**	**330**	**1,847**	**—**	**6,792**
Capital expenditure	**425**	**30**	**2**	**197**	**—**	**654**

	As of December 31, 2014					
	Eastern China	Northern China	Southern China	Western China	Elimination	Total
Segment assets	625,187	166,594	23,965	113,121	(260,160)	668,706
Unallocated assets						1,251
Total assets						**669,957**
Segment liabilities	**(594,934)**	**(165,960)**	**(23,878)**	**(112,194)**	**260,160**	**(636,807)**

	Year ended December 31, 2015					
	Eastern China	Northern China	Southern China	Western China	Elimination	Total
	(Unaudited) (In millions of RMB)					
External interest income	29,290	9,671	1,722	6,747	—	47,430
External interest expense	(16,481)	(5,702)	(885)	(3,777)	—	(26,844)
Inter-segment net interest income/(expenses)	468	(31)	317	(754)	—	—
Net interest income	**13,277**	**3,938**	**1,154**	**2,217**	**—**	**20,586**
Net fee and commission income	**3,296**	**392**	**54**	**359**		**4,101**
Net trading gains/(losses)	2	—	—	—	—	2
Net gains/(losses) on financial investments	330	—	—	—	—	330
Other operating income/(expenses)	136	(41)	1	15	—	112
Operating expenses	(5,456)	(1,464)	(327)	(1,011)	—	(8,257)
— Depreciation and amortization	(161)	(26)	(4)	(17)	—	(208)
Impairment losses on assets	(5,511)	(859)	(167)	(956)	—	(7,493)
Profit before income tax	**6,075**	**1,966**	**716**	**624**	**—**	**9,380**
Capital expenditure	**281**	**21**	**21**	**533**	**—**	**855**

	As of December 31, 2015					
	Eastern China	Northern China	Southern China	Western China	Elimination	Total
	(Unaudited) (In millions of RMB)					
Segment assets	965,154	237,893	63,371	145,155	(382,026)	1,029,545
Unallocated assets						2,105
Total assets						**1,031,650**
Segment liabilities	**(920,764)**	**(236,220)**	**(63,026)**	**(144,010)**	**382,026**	**(981,993)**

The following table sets forth our operating income of each of the regions for the years indicated:

	For the year ended December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)		(Unaudited)	
Operating Income				
Eastern China	9,945	57.2%	17,041	67.8%
Northern China	3,717	21.4%	4,290	17.1%
Western China	3,113	17.9%	2,590	10.3%
Southern China	622	3.6%	1,209	4.8%
Total	**17,397**	**100.0%**	**25,130**	**100.0%**

Business Segment Report

The following table sets forth the total operating income by business segment for the years ended December 31, 2014 and 2015.

	For the year ended December 31,			
	2014		2015	
	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)		(Unaudited)	
Corporate Banking	12,329	70.9%	13,066	52.0%
Retail Banking	1,994	11.5%	2,234	8.9%
Treasury Business	3,039	17.5%	9,784	38.9%
Others(1)	35	0.2%	47	0.2%
Total	**17,397**	**100.0%**	**25,130**	**100.0%**

Note:

(1) Mainly include assets, liabilities, revenue and expenses that cannot be directly attributed to certain segment.

BUSINESS REVIEW

Corporate Banking Business

In order to adapt to the changing economic environment and policies in the PRC, we comprehensively improved our ability to provide high quality financial services to customers and promoted steady development of our corporate banking business through the continued transition of our operating role and enhanced innovation of our products and service model. For the year ended December 31, 2015, our operating income from the corporate banking business was RMB13,066 million, accounting for 52.0% of our total operating income for the same period, representing an increase of 6.0% as compared with the year ended December 31, 2014.

In 2015, we continued to enhance the promotion of our "pooled financing" business model. To meet corporate customers' core needs for reducing financing costs and improving service efficiency, we innovatively introduced our comprehensive financing service platforms, such as "Yongjin Bills Pool", "Yongjin Export Pool" and "Yongjin Assets Pool", deepened combined application of "pooled financing" and "internet plus" and proactively built ourselves into a bank offering liquidity services to enterprise customers. As of December 31, 2015, we had 3,863 customers who used our bills pool service, with an aggregate balance of pooled bills of RMB156,946 million and a credit balance under bills pool of RMB53,165 million. As of December 31, 2015, our total corporate loans and corporate deposits were RM282,312 million and RMB490,101 million, respectively, representing an increase of 36.4% and 45.5%, respectively, as compared with December 31, 2014.

In 2015, we also attached great importance to the development of our intermediary business products and services for our corporate banking business, and continued innovation in the products of such business and improvement in our service quality. In early 2015, we successfully launched our custody services for the mutual fund, the "E-fund Zengjinbao Money Market Fund". For the year ended December 31, 2015, our net fee and commission income from our intermediary business products and services was RMB1,830 million, accounting for 14.0% of total operating income from our corporate banking business. In addition, we were also recognized as "the Best Bond Underwriting Bank in 2015" and "the Investment Bank Most Respected by Investors in 2015" by *Securities Times.* Our international trade finance and settlement services also grew rapidly. As of December 31, 2015, the balance for our international trade financing services was USD6,275 million, representing an increase of 125.8%, as compared with December 31, 2014. For the year ended December 31, 2015, the transaction volumes for our international trade settlement business were USD28,565 million, representing an increase of 114.11%, as compared with the year ended December 31, 2014.

Retail Banking Business

In 2015, we continued to innovate our retail banking business to meet the customers' diversified needs and kept a fast-growing momentum of our retail banking business. For the year ended December 31, 2015, we had approximately 1,752,400 personal deposit customers and 87,178 personal loan customers. The income from our retail banking business was RMB2,234 million, representing a year-on-year growth rate of 12.0% and accounting for 8.9% of our total operating income during the same period. As of December 31, 2015, our total personal loans were RMB63,111 million, representing a year-on-year growth of 21.2% and accounting for 18.3% of our total loans to customers. As of December 31, 2015, our personal business loans, residential mortgage loans and other loans were RMB60,304 million, RMB2,204 million, and RMB602 million, respectively, which accounted for 95.6%, 3.5% and 1.0%, respectively, of our total personal loans. As of the same date, our total personal deposits were RMB21,681 million, representing a year-on-year decrease of 4.7% and accounting for 4.2% of our total customers' deposits.

Zheshang Small and Micro Enterprises Business

In 2015, we continued to strengthen our advantages in small and micro enterprises business and enhance our risk management as well as screening process for quality customers. Our small and micro enterprises business has been an important growth engine for our revenue. As of December 31, 2015, the loans to small and micro enterprises under our standard were RMB76,378 million, representing a year-on-year growth rate of 14.0%, and the non-performing ratio of such loans was 1.16%. As of the same date, we had established ten pilot outlets in cities including Hangzhou, Nanjing, Chongqing, Ningbo, Wenzhou and Shaoxing, which carried out our non-collateralized micro personal business loans. As of December 31, 2015, the balance of our non-collateralized micro personal business loans was RMB1,245 million, representing a year-on-year growth rate of 89.7%, and the non-performing ratio of such loans was 0.46%. We proactively developed our entrepreneurship and innovation loan business, actively explored cooperation opportunities with institutions including domestic policy banks, technology parks and well-known internet-based micro loan and wealth management companies, innovated new financial service models for small and micro enterprises and comprehensively improved our capability to provide financial service to small and micro enterprises customers, all of which have contributed to further development of our small and micro enterprises loans business. In 2015, our small enterprise credit center was awarded as "Excellent Financial Service Team of the Banking Institutions of the PRC for Small and Micro Enterprises" by the CBRC.

Treasury Business

In 2015, we continuously enhanced our research and analysis on the macro policies and market circumstances of the PRC and achieved rapid growth in our treasury business under our "full-asset class operation" strategy. For the year ended December 31, 2015, the operating income from our treasury business was RMB9,784 million, which accounted for 38.9% of our total operating income and represented an increase of 222.0% as compared to the year ended December 31, 2014.

Money Market Business

In 2015, we closely monitored the status of the money market and changes of the funding cost in the market, in order to proactively capture market opportunities and improve profitability while ensuring sound liquidity management. As of December 31, 2015, the balances of our placements with banks and other financial institutions and bonds purchased under resale agreements were RMB29,747 million and the balances of our deposits with banks and other financial institutions, other financial assets purchased under resale agreements and notes purchased under resale agreements were RMB46,860 million, which in aggregate accounted for 7.4% of our total assets. The balances of placements from banks and other financial institutions with us and bonds sold under repurchase agreements were RMB23,529 million, which accounted for 2.4% of our total liabilities.

Investments in Bonds and Other Financial Assets

In 2015, we further strengthened research and analysis on the changes in financial market and policy environment, actively adjusted our investment strategy and achieved rapid growth in bonds and other financial assets investments. As of December 31, 2015, the balance of our bond investments was RMB88,930 million. For the year ended December 31, 2015, the interest income from our bond investments was RMB2,957 million. As of the same date, the balance of our investments in other financial assets was RMB433,530 million. Such investments offer relatively stable return while their risks are manageable.

Treasury Business Conducted on Behalf of Customers

Our wealth management business conducted on behalf of customers grew significantly in 2015. The brand awareness and market influence of our wealth management products have also significantly increased. For the year ended December 31, 2015, we issued wealth management products totaling

RMB346,130 million. As of December 31, 2015, the total outstanding balance of wealth management products issued by us was RMB214,086 million, representing a year-on-year growth rate of 395.9%. Our wealth management products were recognized as "the Best Wealth Management Products with Steady Income" (Yongle Wealth Management (永樂理財)), "Excellent Wealth Management Product Award" (Daily Increase of Gold (天天增金)), "Financial Products Most Characteristic of Internet Gene" (Yongjin Wallet (涌金錢包)) by *Securities Times* and other media; our wealth management products brand was recognized as "the Best Brand of Innovative Asset Management" and "the Best Wealth Management Product Brand issued by Banks in China in 2015" by *21st Century Business Herald* and other media; our wealth management business was recognized as "Jinniu Excellent Asset Management", "Award for Innovations in Wealth Management", "Excellent Asset Management Award" and "the Most Competitive Wealth Management Institution" by *China Securities Journal* and other media.

Construction of the Outlet Network

Our Wuhan branch officially commenced operations on December 21, 2015. As of December 31, 2015, our Bank had set up 133 outlets excluding our head office, covering economically-developed areas such as the Yangtze River Delta Area, the Bohai Rim Area, the Pearl River Delta Area, as well as certain economically developed cities in Central and Western China. We plan to continue establishing new branches and sub-branches, to further optimize our outlet network, business structure and customer base and achieve a balanced development of our business.

E-Banking

We have established an electronic banking service system comprising online banking, telephone banking, mobile phone banking, WeChat banking and self-service banking. For the year ended December 31, 2015, 25,678,520 business transactions were processed through our electronic banking service system, leading to an e-banking substitution rate of 95.4% among all transactions, and the total amount of such transactions reached RMB2,940,538 million, which accounted for 71.55% of our total transaction amount for the same period.

OUTLOOK

Benefiting from the recent reform and adjustments in the PRC and the development strategy of the PRC government to construct "One Belt, One Road", we expect that the banking industry will still have great development potential in 2016. In response to, among other things, the economic slowdown in the PRC, the accelerated development of internet finance, further opening of the banking sector to private capital and the continued reform of interest rate liberalization in the PRC, we also expect the competitive pressure in the PRC banking industry to increase.

In 2016, we will strive to seek various business licenses for comprehensive business, strengthen the cooperation with other financial institutions and other quasi-financial institutions, capture the opportunity of fast-growing internet finance, transform the traditional banking services, take full advantage of the information technology as the driving force for the banking business, and adopt a customer-centered strategy, turning ourselves into a bank which provides comprehensive services with specialties. With the rapid development of our business and under the direction of our full-asset class operation strategy, we will comprehensively and continuously increase our ability to manage and control risks, effectively improve operational efficiency, lower operational costs and endeavor to establish ourselves as a bank of quality service and high efficiency under refined management.

PURCHASE, SALE OR REPURCHASE OF OUR SHARES

Since we were not listed on the Hong Kong Stock Exchange in 2015, the Hong Kong Listing Rules were not applicable to us in that year.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since we were not listed on the Hong Kong Stock Exchange in 2015, the "Corporate Governance Code" in Appendix 14 of the Hong Kong Listing Rules was not applicable to us for the year ended December 31, 2015. After listing on the Hong Kong Stock Exchange, we will comply with the corporate governance rules and Corporate Governance Code under the Hong Kong Listing Rules.

Audit Committee

We have established an audit committee in accordance with the Hong Kong Listing Rules and have drawn up written terms of reference. The Audit Committee has reviewed our unaudited preliminary financial information for the year ended December 31, 2015 in this appendix.

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix VII – Taxation and Foreign Exchange" to this prospectus. This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between the PRC Company Law and the Companies Ordinance, certain requirements of the Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomy regulations, special rules, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the Chinese government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The NPC and its Standing Committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The Standing Committee of the NPC is empowered to interpret, enact and amend other laws not required to be enacted by the NPC.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may, subject to the Constitution, laws and administrative regulations, formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas. The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of such cities and promulgate the same upon approval from the standing committees of the people's congresses of provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions shall examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of the provinces or autonomous regions concerned. Where, during the examination for approval of local regulations of larger cities by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. "Larger cities" refers to cities where the people's governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

The ministries and commissions of the State Council, the PBOC, the NAO and the subordinate institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. Provisions of departmental rules should be the matters related to the enforcement of the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities directly under the central government and larger cities may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities directly under the central government.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, issues related to the laws applicable in a court trial should be interpreted by the Supreme People's Court, issues related to the laws applicable in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the legal issues other than the above-mentioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the statutes and administrative regulations which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Under the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and economic divisions, and certain people's courts based on the natures of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and other special divisions (such as the intellectual property division). These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorized to supervise the judgment and ruling of the People's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorized to supervise the judgment and ruling of a People's court at a lower level which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels.

The judgments or rulings of the second instance at a people's court are final. The parties may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any protest by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgments or rulings of the first instance of the Supreme People's Court are also final. If, however, the Supreme People's Court or a people's court at the next higher level finds an error in a final and binding judgment or ruling which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgment or ruling which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "PRC Civil Procedure Law") adopted on April 9, 1991 and amended on October 28, 2007 and August 31, 2012 prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice may not in any circumstances contravene the regulations of differential jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality or foreign enterprise or organization is generally given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. The foreign individual or foreign enterprise or organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or in which the PRC a participant or the principle of reciprocity, a PRC court and foreign court may request each other to serve legal documents, conduct investigation and collect evidence and conduct other actions on its behalf. A PRC courts shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment. A party seeking to enforce a judgment or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or ruling. Likewise, if the PRC has entered into either a treaty relating to judicial enforcement with the relevant foreign country or a relevant international treaty, a foreign judgment or ruling may also be recognized and enforced in accordance with the PRC enforcement procedures by a PRC court based on equitable principles unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or would not be in the public interest.

The PRC Company Law, the Special Regulations and the Mandatory Provisions

The PRC Company Law was adopted by the Standing Committee of the Eighth NPC at its Fifth Session on December 29, 1993 and came into effect on July 1, 1994. It was amended on December 25, 1999, August 28, 2004, October 27, 2005 and December 28, 2013. The revised PRC Company Law came into effect on March 1, 2014.

The Special Regulations were passed at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and promulgated and implemented on August 4, 1994. The Special Regulations are formulated in respect of the overseas share offering and listing of joint stock limited companies.

The Mandatory Provisions jointly promulgated by the former Securities Commission of the State Council and the former State Restructuring Commission on August 27, 1994 prescribe the provisions which must be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association, a summary of which is set out in “Appendix VI – Summary of Articles of Association” of this prospectus. References to a “company” made in this Appendix are to a joint stock limited company established under the PRC Company Law with H shares. Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

General

A “joint stock limited company (“company”)” refers to a corporate legal person established in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of two but no more than 200 promoters, and at least half of the promoters must be resident within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company shall not be offered to others unless the registered capital has been fully paid up. For companies incorporated by public subscription, the registered capital is the total paid-up capital as registered with the relevant registration authorities. If laws and regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters’ agreement. After the promoters have confirmed the capital contribution under the articles of association, a board and a supervisory board shall be elected and the board shall apply for registration of incorporation by filing the articles of association with the company registration authorities, and other documents as required by the law or administrative regulations.

Where companies are incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by the laws or administrative regulations. A promoter who offers shares to the public must publish a share offering prospectus and prepare a share subscription form to be completed, signed and sealed by subscribers, specifying the number and amount of shares to be subscribed for and the subscribers' addresses. The subscribers shall pay up monies for the shares they subscribe for. Where a promoter is offering shares to the public, such offer shall be underwritten by securities firms established under PRC law, and in accordance with signed underwriting agreements. A promoter offering shares to the public shall also enter into agreements with banks in relation to the receipt of subscription monies. The receiving banks shall receive and keep in custody the subscription monies, issue receipts to subscribers who have paid the subscription monies and furnish evidence of receipt of those subscription monies to relevant authorities. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a report thereon. The promoters shall convene an inauguration meeting within 30 days following the full payment of subscription money. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the cut-off date stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days of the conclusion of the inauguration meeting, the board shall apply to the registration authorities for registration of the establishment of the company. A company is formally established and has the status of a legal person after approval of registration has been given by the relevant administration bureau for industry and commerce and a business license has been issued.

A company's promoter shall be liable for:

(i) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated;

(ii) the refund of subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and

(iii) the compensation of any damages suffered by the company as a result of the promoters' default in the course of its incorporation.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of the laws or administrative regulations on valuation without any over-valuation or under-valuation. The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber. The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value. A company must obtain the approval of the CSRC to offer its shares to the overseas public. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors and investors from the territories of Hong Kong, Macau and Taiwan and listed in Hong Kong are classified as H shares, and those shares issued to investors within the PRC, except these regions above, are known as domestic shares. Under the Special Regulations, upon approval of the CSRC, a company may agree, in the underwriting agreement in respect of an issue of H shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued in addition to the number of underwritten shares.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial numbers of shares held by each shareholder; and

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

Where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders. When a company launches a public issue of new shares upon the approval by the CSRC, a new share offering prospectus and financial accounting report must be published and a subscription form must be prepared. After the new share issue of the company has been paid up, the change must be registered with the relevant registration department and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the incorporation of a company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of assets;

(ii) the reduction of registered capital must be approved by shareholders at general meeting;

(iii) the company shall notify its creditors of the reduction in share capital within 10 days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction being passed;

(iv) the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts; and

(v) the company must apply to the relevant administration bureau for industry and commerce for registration of the change and reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for one of the following purposes:

(i) reducing its registered capital;

(ii) merging with another company which holds its shares;

(iii) granting shares to its employees as incentives; and

(iv) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or separation.

The acquisition by a company of its own shares on the grounds set out in (i) to (iii) above must be approved by way of a resolution of a shareholders' general meeting. Following the acquisition by a company of its own shares in accordance with these requirements, such shares must be cancelled within 10 days of the date of the acquisition in the case of (i) and transferred or cancelled within six months in the case of (ii) or (iv). The acquisition by a company of its own shares in accordance with (iii) under the first paragraph of this subsection shall not exceed 5% of the total number of issued shares of the company. Such acquisition shall be financed by funds allocated from the company's profits after taxation, and the shares so acquired shall be transferred to the employees within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. A shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or five days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder. The Mandatory Provision provides no registration of share transfer should be made to shareholder registry within thirty days before a shareholders' general meeting or within five days before the benchmark date set by the Bank to distribute dividends.

Shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months of them having left their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed at a shareholders' general meeting or a meeting of board that has not been convened in compliance with the laws or the articles of association or whose voting has been conducted in an invalid manner, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within 60 days of the passing of such resolution;

(iii) to transfer the shares of the shareholders according to the applicable laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend shareholders' general meetings;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or enquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to receive residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to decide on the company's operational objectives and investment plans;

(ii) to elect and remove the directors and supervisors (not being representative(s) of employees) and to decide on the matters relating to the remuneration of directors and supervisors;

(iii) to review and approve the reports of the board;

(iv) to review and approve the reports of the board of supervisors or supervisors;

(v) to review and approve the company's annual financial budgets and final accounts;

(vi) to review and approve the company's profit distribution proposals and loss recovery proposals;

(vii) to decide on any increase or reduction of the company's registered capital;

(viii) to decide on the issue of corporate bonds;

(ix) to decide on the issues such as merger, separation, dissolution and liquidation of the company or change of its corporate form;

(x) to amend the company's articles of association; and

(xi) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(i) the number of directors is less than the number stipulated by the laws or less than two-thirds of the number specified in the articles of association;

(ii) the aggregate outstanding losses of the company amounted to one-third of the company's total paid-in share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;

(iv) the board deems necessary;

(v) the board of supervisors so requests; or

(vi) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board, and presided over by the chairman of the board. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board is incapable of performing or is not performing its duties to convene the general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. If the board of supervisors fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting. In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days before the meeting.

In accordance with the Mandatory Provisions, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 45 days before the meeting. A shareholder who intends to attend the meeting shall deliver his written reply regarding his attendance of the meeting to the company 20 days before the date of the meeting.

Shareholders presenting at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights. Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders presenting at the meeting, with the exception of matters relating to merger, separation or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders presenting at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the board of directors shall convene a shareholders' general meeting promptly to vote on such matters. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairman and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms. According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of corporate bonds, the separation, merger, dissolution and liquidation of the company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the general meeting, may have a material impact on the company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders present at the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when written replies to the notice of that meeting from shareholders holding shares representing no less than 50% of the voting rights in the company have been received 20 days before the proposed date. If that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders again by announcement of the matters to be considered at the meeting and the date and venue of the meeting, and the general meeting may be held by the company thereafter.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H Shares are deemed to be shareholders of different classes.

Board

A company shall have a board, which shall consist of 5 to 19 members. Members of the board may include staff representatives, who shall be democratically elected by the company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly reelected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' general meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate proposal for the company's annual financial budgets and final accounts;

(v) to formulate the company's profit distribution proposals and loss recovery proposals;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to formulate proposals for the merger, separation or dissolution of the company or change of corporate form;

(viii) to decide on the setup of the company's internal management organs;

(ix) to appoint or dismiss the company's general manager and decide on his/her remuneration and, based on the general manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(x) to formulate the company's basic management system; and

(xi) to exercise any other authority stipulated in the articles of association.

Meetings of the board shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be convened by shareholders representing no less than 10% of the voting rights, no less than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board may otherwise determine the means and the period of notice for convening an extraordinary meeting of the board. Meetings of the board shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend the meetings of the board in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization that his/her representative has.

If a resolution of the board violates any laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company suffers from serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following persons may not serve as a director in a company:

(i) persons with no or restricted civil capacity;

(ii) persons who have committed the offence of corruption, bribery, taking of property, misappropriation of property or destruction of the socialist economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offence, where less than five years have elapsed since the date of completion of the implementation of this deprivation;

(iii) persons who were directors, factory directors or managers of a company or enterprise which become bankrupt and has been liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or which was ordered to cease operation as a result of violation of laws and who were personally liable for such revocation or cessation, where less than three years have elapsed since the date of the revocation of the business license; and

(v) persons who have defaulted on a relatively substantial amount of debt personally owed by them.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions.

The board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by no less than half of the directors shall perform his/her duties.

Board of Supervisors

A company shall have a board of supervisors composed of not less than three members. The board of supervisors consists of representatives of the shareholders and an appropriate proportion of representatives of the company's staff. The actual proportion shall be determined in the Articles of association, provided that the proportion of representatives of the company's staff shall not be less than one-third. Representatives of the company's staff at the board of supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The board of supervisors shall appoint a chairman and may appoint vice chairmen.

The chairman and the vice chairman of the board of supervisions shall be elected by more than half of the supervisors. According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on

Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the board of supervisions shall be elected with approval of more than two-thirds of the supervisors.

The chairman of the board of supervisors shall convene and preside over board of supervisors meetings. Where the chairman of the board of supervisors is incapable of performing or is not performing his/her duties, the vice chairman of the board of supervisors shall convene and preside over supervisory board meetings. Where the vice chairman of the board of supervisors is incapable of performing or is not performing his/her duties, a supervisor nominated by no less than half of the supervisors shall convene and preside over the meetings of the board of supervisors. Directors and senior management shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the provisions of the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of a director or senior management personnel are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the this regulation;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior management personnel pursuant to the relevant provisions of the PRC Company Law;

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at the meetings of the board and make enquiries or proposals in respect of the resolutions of the board. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

A company shall have a general manager who shall be appointed or removed by the board. The general manager, who reports to the board of directors, may exercise his/her powers:

(i) to manage the production, operation and administration of the company, and arrange for the implementation of the resolutions of the board;

(ii) to organize and implement the annual business plans and investment proposals of the company;

(iii) to formulate proposals for the establishment of the company's internal management organs;

(iv) to formulate the fundamental management system of the company;

(v) to formulate the company's specific rules and regulations;

(vi) to recommend the appointment or dismissal of any deputy manager and any financial officer of the company;

(vii) to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the board);

(viii) to exercise any other authority granted by the board.

Other provisions in the articles of association on the general manager's powers shall also be complied with. The general manager shall be present at meetings of the board. However, the general manager shall have no voting rights at meetings of the board unless he/she concurrently serves as a director.

According to the PRC Company Law, senior management refers to the general manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, General Managers and Other Senior Management

Directors, supervisors, the general manager, the deputy manager and senior management are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and carry out their duties in good faith. Directors, supervisors, managers and management personnel are prohibited from accepting bribes or other unlawful income and from misappropriating the company's property. Directors and senior management are prohibited from:

(i) misappropriating company funds;

(ii) depositing company funds into accounts maintained in their own names or the names of other individuals;

(iii) lending company funds to others or providing guarantees in favor of others against company property in violation of the articles of association or without approval of the general meeting or the board;

(iv) entering into contracts or transactions with our bank in violation of the articles of association or without approval of the general meeting or the board;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or operating on behalf of others' businesses similar to that of the company without approval of the general meeting;

(vi) accepting commissions from others dealing with the company for their own benefit;

(vii) unauthorized divulgence of confidential information of the company; and

(viii) any other acts in violation of their fiduciary duty towards the company.

Income generated by directors or senior management in violation of these shall be returned to the company.

A director, supervisor or senior management who contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the enquiries from shareholders. Directors and senior management shall furnish all truthful facts and information to the board of supervisors or the supervisors (for companies with limited liability that do not have a board of supervisors) without impeding the discharge of duties by the board of supervisors or the supervisors.

Where a director or senior management contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the board of supervisors institute litigation at a people's court on its behalf. Where the board of supervisors violates the laws or administrative regulations or the articles of association in the discharge of their duties resulting in any loss to the company, such shareholder(s) may request in writing that the board institute litigation at a people's court on its behalf. If the board of supervisors or the board refuses to institute litigation after receiving the abovementioned written request from the shareholder(s), or fails to institute litigation within 30 days since the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, general managers and other senior management shall have fiduciary duties towards the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions for their own benefits. The Mandatory Provisions contain detailed stipulations on these duties.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company.

The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company on issue and other income as required by relevant government authorities to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. The capital reserve fund, however, shall not be used to make good the company's losses. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer. The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' general meeting or the board in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board conducts a vote on the dismissal of the accounting firm on their respective meetings. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the newly-engaged accounting firm without any refusal or withholding or falsification of information.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual reports and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the reserve fund is drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of H shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and our articles of association. The amendment to articles of association involving content of Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department authorized by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with applicable laws.

Dissolution and Liquidation

A company shall be dissolved for any of the following reasons:

(i) the term of its operations set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or separation;

(iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering on-going existence of the company a cause for significant losses to the shareholders.

In the event of paragraph (i) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described in the preceding paragraphs shall require the approval of shareholders presenting at the general meeting representing at least two-thirds of the voting rights.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter arises. Members of the liquidation committee shall be composed of directors or any other people determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise its powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with and settle any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arising during the liquidation process;

(v) to settle financial claims and liabilities;

(vi) to handle the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall, in making his claim, state all matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the companies' registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their willful or material default. Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from CSRC, and the listing must be arranged in accordance with procedures specified by the State Council. Pursuant to the Special Regulations, a company may issue shares to overseas investors and list its shares overseas upon approval from the CSRC. Subject to approval of the company's plans to issue overseas-listed foreign invested shares and domestic shares by the CSRC, the board of directors of the company may make arrangement to implement such plans for issuance of the foreign invested shares and domestic shares, respectively, within fifteen (15) months from the date of approval by the CSRC.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

The Mandatory Provisions have separate provisions governing the loss of share certificates and H share certificates of shareholders of overseas listed foreign shares, which shall be set out in the articles of association of a company.

Merger and Separation

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a separation, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's separation is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the separation in newspapers within 30 days. Unless an agreement in writing is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to the separation shall be jointly borne by the separated companies.

Changes in the registration of the companies as a result of the merger or separation shall, if so required, be registered with the relevant administration bureau for industry and commerce for registration.

In accordance with the laws, cancellation of a company shall be registered when a company is dissolved and incorporation of a company shall be registered when a new company is incorporated.

The PRC Securities Laws, Regulations and Regulatory Regimes

The PRC has promulgated a number of regulations that relate to the issue and trading of our shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and the CSRC and reformed the CSRC.

The Provisional Regulations Concerning the Issue and Trading of Shares (《股票發行與交易管理暫行條例》) govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information investigation, penalties and dispute resolutions with respect to a listed company.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends, other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The PRC Securities Law took effect on July 1, 1999 and was revised as of August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. It was the first national securities law in the PRC, and is divided into 12 chapters and 240 articles regulating, among other matters, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that domestic enterprises must obtain prior approval from the State Council Securities regulatory authorities to list shares outside the PRC. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (the "PRC Arbitration Law") was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and was amended on August 27, 2009. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law.

The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to use arbitration as a method for settlement of disputes, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement has lapsed.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Hong Kong Listing Rules, in a contract between the company and each director or supervisor. Pursuant to such clause, whenever a dispute or claim arises from any right or obligation provided in the articles of association, the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the company between (i) a holder of overseas listed foreign shares and the company; (ii) a holder of overseas listed foreign shares and a holder of domestic shares; or (iii) a holder of overseas listed foreign shares and the company's directors, supervisors or other management personnel, such parties shall be required to refer such dispute or claim to arbitration at either the CIETAC or the HKIAC. Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration.

If the party seeking arbitration elects to arbitrate the dispute or claim at the HKIAC, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the PRC Arbitration Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the award, the other party to the award may apply to a people's court for its enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including irregularity in the composition of the arbitration committee, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaty concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only recognize and enforce foreign arbitral awards based on the principle of reciprocity; and (ii) the PRC will only apply the New York Convention to disputes deemed under PRC law to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for reciprocal enforcement of arbitral awards between Hong Kong and the PRC was signed on June 18, 1999, became effective on February 1, 2000. The arrangement reflects the spirit of the New York Convention, allowing awards made by PRC arbitral authorities to be enforced in Hong Kong and awards by Hong Kong arbitral authorities to be enforced in the PRC.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong and the company will acquire an independent corporate existence upon its incorporation. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain provisions that restrict a member's right to transfer shares. A public company's articles of association do not contain such provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The amended PRC Company Law which came into effect on March 1, 2014 has no provision on the minimum registered capital of joint stock company, except that laws, administrative regulations and State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital, in which case the company should follow such provisions.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law provides that any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the Securities Law, a company which is approved by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and assets transfer procedures must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. However, eligible institutional investors and individual investors may trade SSE Securities and SEHK Securities by participating in Shanghai-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company transferred by its directors, supervisors and members of the senior management each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on Controlling Shareholders' disposal of shares.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix entitled "Appendix VI – Summary of Articles of Association" to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders representing at least 75% of the total voting rights of holders of shares in the class in question, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

The Mandatory Provisions, however, contain certain restrictions on interested contracts and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and members of the senior management are subject to the supervision of a Board of Supervisors.

There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their obligations and cause damages to a company, the shareholders individually or jointly holding no less than 1% of the shares in the company for no less than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their obligations and cause damages to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the people's court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company.

In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either appoint a receiver or manager over the property or business of the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC Company Law provides that shareholders holding more than 10% of all the voting rights of the company may apply to the People's Court for company dissolution when the company experiences severe difficulties in its operations and management and that continual operation of the company will bring significant losses to the interest of shareholders while there are no other ways to resolve the difficulties.

The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' General Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting and an extraordinary shareholders meeting must be given not less than 20 days and 15 days before the meeting, respectively. Under the Special Regulations and the Mandatory Provisions, written notice must be given to all shareholders at least 45 days before the date of the meeting and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting.

For a company incorporated in Hong Kong, the minimum period of notice is 21 days in the case of an annual general meeting and 14 days in other cases.

Quorum for Shareholders' General Meetings

Under the Companies Ordinance, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member.

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, our bank shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under the Companies Ordinance, an ordinary resolution is passed by a simple majority and a special resolution is passed by a majority of at least 75%.

Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division, dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders (including agent for the shareholders) who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report.

The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP. The lower of the after-tax profits of a specific fiscal year stated in the statements prepared based on the above-mentioned principles shall prevail in the allocation of such profits. The company shall publish its financial reports twice in each accounting year. An interim financial report shall be published within 60 days after the end of the first six months of each accounting year, while an annual financial report shall be published within 120 days after the end of each accounting year.

The Special Regulations require that there should not be any contradiction between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders.

The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years.

The Mandatory Provisions and Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding up and Miscellaneous Provisions) Ordinance or a debt reorganization or arrangement between the company and its creditors or between the company and its members under Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court.

Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other hand, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or member of the senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or member of the senior management should be responsible to the company for such damages.

The remedies of these companies are similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management), which are in accordance with the requirements of the Listing Rules.

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors.

Under the PRC Company Law, directors, supervisors and senior management should be loyal and diligent.

Under the Mandatory Provisions, directors, supervisors and senior management are not permitted, without the approval of the shareholders' general meeting that has been informed, to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' general meeting or within five days before the base date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Hong Kong Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance Advisor

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date. The compliance advisor should provide professional advice on continuous compliance with the Listing Rules and all other applicable laws and regulations, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountants' Report

The accountants' report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK$10,000 million.

Independent Non-Executive Directors and Supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association of the company, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Hong Kong Takeovers Code and/or any similar PRC law of which directors are aware. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as of the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of our Bank's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

Supervisors

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the Supervisors in securities of our Bank in terms no less exacting than those of the Model Code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions and the Listing Rules.

Documents for Inspection

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of shareholders;
- a report showing the state of our issued share capital;
- our latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by us since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of shareholders' general meetings.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;

- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager and other senior management), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws or administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;
- an undertaking by the director or senior management to it acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the articles of association; and
- an arbitration clause which provides that whenever any differences and claims arising from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between the company and its directors or senior management and between a holder of H shares and a director or senior management, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of the HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or

administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

English Translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in English, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

OTHER LEGAL AND REGULATORY PROVISIONS

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Takeovers Code and such other relevant ordinances and regulations as may be applicable to companies listed on the Hong Kong Stock Exchange will apply to us.

SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

Set out below is a summary of the principal provisions of our Articles of Association, the principal objective of which is to provide investors with an overview of our Articles of Association.

As the information contained below is in summary form, it does not contain all the information that may be important to potential investors. Copies of the full English and Chinese texts of our Articles of Association are available for inspection as mentioned in "Appendix IX – Documents Delivered to the Registrar of Companies and Available for Inspection".

Our Articles of Association were adopted by our shareholders on the shareholders' general meeting held on June 25, 2015 and approved by the CBRC on November 2, 2015. Our Articles of Association will become effective on the date that our H Shares are listed on the Hong Kong Stock Exchange.

DIRECTORS AND OTHER SENIOR MANAGEMENT

Power to Allot and Issue Shares

There is no provision in our Articles of Association empowering the Directors to allot and issue shares.

To increase the capital of our Bank, the proposal must be submitted by the Board of Directors, the Board of Supervisors or the shareholder(s) who individually or in the aggregate hold 3% or more of the total shares of our Bank with voting rights for approval by a special resolution at a shareholders' general meeting.

Power to Dispose of the Assets of Our Bank or Any Subsidiary

The Board of Directors shall not, without the prior approval at a shareholders' general meeting, dispose of, or agree to dispose of, any fixed assets of our Bank where the sum of the estimated value of the consideration for the proposed disposition and the aggregate amount of the consideration for all dispositions of fixed assets of our Bank completed within four months immediately preceding the proposed disposition exceeds 33% of the value of our Bank's fixed assets as shown on the last balance sheet reviewed at a shareholders' general meeting.

The validity of a disposition by our Bank of fixed assets shall not be affected by the breach of the above paragraph. For the purposes of our Articles of Association, a disposition of fixed assets includes an act involving the transfer of an interest in such assets, but does not include the provision of such assets as a form of security.

EMOLUMENTS AND COMPENSATION FOR LOSS OF OFFICE

Our Bank shall, with the prior approval at a shareholders' general meeting, enter into a contract in writing with each of the Directors or Supervisors wherein his emoluments are stipulated. The aforesaid emoluments include:

(a) emoluments in respect of his service as a Director, Supervisor or senior management of our Bank;

(b) emoluments in respect of his service as a Director, Supervisor or senior management of any subsidiary of our Bank;

(c) emoluments in respect of the provision of other services in connection with the management of the affairs of our Bank and its any subsidiary; and

(d) compensation for his loss of office or retirement.

Except under a contract entered into in accordance with the foregoing, no proceedings may be brought by a Director or Supervisor against our Bank for any benefit due to him in respect of the above matters.

Contracts concerning emoluments between our Bank and our Directors or Supervisors should provide that, in the event of a takeover of our Bank, the Directors or Supervisors shall, subject to the prior approval at the shareholders' general meeting, have the right to receive compensation or other payment in respect of his loss of office or retirement. A "takeover of our Bank" referred to in this paragraph means either:

(a) a takeover offer made by any person to all shareholders; or

(b) a takeover offer made by any person with a goal of making the offeror a controlling shareholder of our Bank.

See the meaning of "controlling shareholder" in "Rights of Minority Shareholders" below.

If the relevant Director or Supervisor does not comply with the preceding provision, any sum so received by him shall belong to those persons who have sold their shares as a result of the said offer. The expenses incurred in distributing such sum pro rata amongst those persons shall be borne by the relevant Director or Supervisor and shall not be paid out of the sum to be received by him.

LOANS TO DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

Our Bank may not provide loans or loan guarantees directly or indirectly to a director, supervisor, or senior management of our Bank or the parent company of our Bank, and our Bank may not provide loans or loan guarantees to a related person of such individual either. The preceding provision will not apply to the following circumstances:

(a) our Bank provides loans or loan guarantees to its subsidiary;

(b) our Bank provides loans, loan guarantees or other payment to a Director, Supervisor or senior management of our Bank to meet expenditure incurred by him/her for the purposes of our Bank or his fulfillment of the responsibilities, in accordance with the contract of service approved at a shareholders' general meeting; or

(c) our Bank may provide the loans or loan guarantees to the relevant directors, supervisors and senior managements and their related persons, provided that the loans and loan guarantees are on normal commercial terms and conditions.

A loan made by our Bank in breach of the above provisions shall be repayable forthwith by the recipient of the loan regardless of the conditions of the loan.

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF SHARES IN OUR BANK

Subject to the exceptions in our Articles of Association, our Bank and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance (as defined below) to a person who is acquiring or is proposing to acquire shares of our Bank. Such acquirer of shares of our Bank includes a person who directly or indirectly incurs any obligations (as defined below) due to the acquisition of shares. Our Bank and its subsidiaries shall not, by any means at any time, provide financial assistance to such acquirer for the purpose of reducing or discharging the obligations assumed by that person.

The following activities shall not be deemed to be prohibited activities:

(a) the provision of financial assistance by our Bank where the financial assistance is given in good faith in the interest of our Bank, and the principal purpose in giving such financial assistance is not for the acquisition of shares, or the giving of such financial assistance is an incidental part of a major plan of our Bank;

(b) the distribution of our Bank's assets through dividends according to law;

(c) the allotment of shares as dividends;

(d) a reduction of registered capital, a repurchase of shares or an adjustment of the shareholding structure of our Bank in accordance with our Articles of Association;

(e) the provision of loans by our Bank within its scope of business and in the ordinary course of business (provided that the net assets of our Bank are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits); and

(f) the provision of money by our Bank for contributions to employees' shareholding plan (provided that the net assets of our Bank are not thereby reduced or, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

- "financial assistance" includes, but is not limited to, the following:
  - a gift;
  - a guarantee (including any liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation due to our Bank's own default) or release or waiver of any rights;
  - provision of a loan or contract under which the obligations of our Bank are to be fulfilled before the obligations of another party, and a change in the parties to, and the assignment of rights arising under, such a loan or contract; or
  - any other form of financial assistance given by our Bank when our Bank is insolvent, has no net assets, or when its net assets would thereby be reduced by a material extent.
- "Incurring an obligation" includes the incurring of obligations by entering into a contract or making an arrangement (whether such contract or arrangement be legally enforceable or not, and whether incurred on its own account or with any other persons) or any other means that result in the change of the financial position.

DISCLOSURE OF INTERESTS IN CONTRACTS WITH OUR BANK

Where a Director or any of his associates (as defined in the Listing Rules), Supervisor, senior management of our Bank is, directly or indirectly, materially interested in a contract, transaction or arrangement, or proposed contract, transaction or arrangement, with our Bank (other than the contract of service of such Director, Supervisor or senior management concluded with our Bank), he shall declare the nature and extent of his interests to the Board at the earliest opportunity, regardless of whether such matter is under normal circumstances subject to the approval of the Board.

Unless the interested Director, Supervisor, senior management discloses his interests to the Board in accordance with our Articles of Association and such matter is approved by the Board at a meeting in which the interested Director, Supervisor, senior management is not counted in the quorum and refrains from voting, the contract, transaction or arrangement is voidable at the request of our Bank except as against a bona fide party acting without notice of the breach of duty by the interested Director, Supervisor, senior management.

A Director, Supervisor, senior management of our Bank is deemed to be interested in a contract, transaction or arrangement in which one of his related persons is interested.

If a Director, Supervisor, senior management of our Bank, before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Bank, gives to the Board of Directors and Board of Supervisors a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in the contracts, transactions or arrangements and such contracts, transactions or arrangements are subsequently made by our Bank, such notice shall be deemed to have made disclosures for the purpose of the above paragraphs to the extent of such disclosure in such notice.

REMUNERATION

The remuneration of Directors must be approved by shareholders at a shareholders' general meeting. See "– Emoluments and Compensation for Loss of Office" above.

APPOINTMENT, REMOVAL AND RETIREMENT

The qualification of a Director shall be examined and approved by the relevant banking regulatory authorities. The term of office of Directors shall be three years, renewable upon re-election. Directors shall be elected and replaced on the shareholders' general meeting.

Our nomination and remuneration committee and shareholder(s) individually or in the aggregate holding 1% or more of shares with voting rights of our Bank are entitled to nominate candidates for independent Directors to be elected by shareholders' general meetings.

The Board of Directors shall consist of 19 Directors at most, of which, at least two shall be senior management members (among whom the President is an ex-officio Director) and at least one-third shall be independent Directors. The Board of Directors shall have one chairman and shall have vice chairman. The chairman and vice chairman shall be elected by a majority of all Directors. A Director, Supervisor, senior management of our Bank shall not be:

(a) a person without civil capacity or with restricted civil capacity;

(b) a person who has been sentenced to criminal punishment due to corruption, bribery, conversion or misappropriation of property or violation of the socialist market economic order, where not more than five years has elapsed since the expiration of the enforcement of the sentence; or a person who has been deprived of political rights due to criminal offence, where not more than five years has elapsed since the expiration of the implementation of this deprivation;

(c) a person who was a director or factory director, manager of a company or enterprise which became bankrupt and has been liquidated and who was personally liable for the bankruptcy of such company or enterprise, where no more than three years has elapsed since the date of completion of the bankruptcy and liquidation of such company or enterprise;

(d) a person who was the legal representative of a company or enterprise which had its business license revoked or which was ordered to cease operation as a result of violation of laws and who was personally liable for such revocation or cessation, where not more than three years has elapsed since the date of the revocation of the business license of such company or enterprise;

(e) a person who personally has a relatively large amount of debts due but outstanding;

(f) a person who is under criminal investigation by judicial organs for violation of criminal laws and such investigation has not yet been concluded;

(g) a person who cannot serve as a leader of an enterprise under the laws and regulations;

(h) a person other than a natural person;

(i) a person who has been convicted by the relevant regulatory authorities for violation of relevant securities regulations, and such conviction involves fraud or dishonest acts, where not more than five years has elapsed since the date of such conviction; and

(j) any other person who cannot serve as a leader of a enterprise under laws, regulations, departmental rules, regulatory documents, relevant regulatory authorities' regulations and our Articles of Association.

The validity of an act of a Director, senior management acting on behalf of our Bank is against a bona fide third party not affected by any irregularity in his office, election or any defect in his qualification.

BORROWING POWERS

Our Articles of Association do not specifically provide for the manner in which borrowing powers may be exercised nor do they contain any specific provision in respect of the manner in which such borrowing powers may be amended, except for:

(a) provisions which authorize the Board of Directors to formulate proposals for the issuance of shares or bonds with the nature of supplementary capital by our Bank;

(b) provisions which provide that the issuance of shares or bonds with the nature of supplementary capital shall be approved by the shareholders' general meeting by a special resolution; and

(c) provisions which provide that the issuance of bonds with no nature of supplementary capital shall be approved by the Board of Directors by a board resolution.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF OUR BANK

Our Articles of Association may be amended by special resolution of the shareholders in a shareholders' general meeting. If the amendments are subject to approval by the relevant PRC government authorities, such approval shall be obtained for such amendments. If a registration is necessary for the amendments, such registration shall be carried out in compliance with the relevant laws.

CHANGE OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

Where our Bank proposes to change or abrogate the rights of any class of shareholders, it shall be approved by a special resolution in a shareholders' general meeting and by shareholders of that affected class at a separate shareholders' general meeting conducted in accordance with our Articles of Association.

The following circumstances shall be deemed a change or abrogation of rights of a shareholder class:

(a) an increase or decrease in the number of shares of such class, or an increase or decrease in the number of class shares having voting, distribution rights or other privileges equal or superior to those of the shares of such class;

(b) an exchange of all or part of the shares of such class into shares of another class, or an exchange or the grant of a right to exchange all or part of the shares of another class into the shares of such class;

(c) the removal or reduction of rights to accrued or cumulative dividends attached to shares of such class;

(d) the reduction or removal of a dividend preference or a property distribution preference in the liquidation of our Bank attached to shares of such class;

(e) the addition, removal or reduction of conversion rights, options, voting rights, transfer rights, or pre-emptive rights attached to shares of such class, or rights to obtain securities of our Bank;

(f) the removal or reduction of rights to receive payables by our Bank in particular currencies attached to shares of such class;

(g) the creation of a new class of shares having voting or distribution rights or other privileges equal or superior to those of the shares of such class;

(h) the restriction of the transfer or ownership of the shares of such class or any addition to such restriction;

(i) the issuance of rights to subscribe for or convert shares of such class or another class;

(j) the increase of the rights and privileges of shares of other classes;

(k) the reorganization proposal of our Bank may result in disproportionate liability to be borne by shareholders of different classes during the reorganization; and

(l) the amendment to or abrogation of terms under the chapter headed "special procedures for voting by class shareholders" as contained in our Articles of Association.

Interested shareholders (as defined below) shall not be entitled to vote at "class shareholders' meetings".

Resolutions of a class of shareholders shall be passed by votes representing more than two-thirds of the equity of shareholders of that class present at class shareholders' meetings.

Written notice of a class shareholders' meeting shall be given 45 days before the date of the meeting to notify all of the shareholders in the share register of that class of the matters to be considered, the date and the place of such meeting.

Notice of class shareholders' meetings need only be served on shareholders entitled to vote thereat.

Class shareholders' meeting shall be conducted in a procedure as similar as possible to that of shareholders' general meetings unless otherwise provided in our Articles of Association. The provisions of our Articles of Association relating to the manner of conducting a shareholders' general meeting shall apply to class shareholders' meeting.

Other than holders of Shares of other classes, holders of domestic shares and H Shares are deemed to be shareholders of different classes.

The special procedures for voting by class shareholders shall not apply in the following circumstances:

(a) where our Bank issues, upon the approval by a special resolution in a shareholders' general meeting, either separately or concurrently once every 12 months, domestic shares and overseas-listed shares, and the number of each of domestic shares and overseas-listed shares proposed to be issued will not be more than 20% of that class of shares outstanding;

(b) where our Bank's plan to issue domestic shares and overseas-listed shares at the time of its establishment is carried out within 15 months from the date of approval of the securities regulatory authorities of the State Council; or

(c) where our shareholders of domestic shares have their unlisted shares converted into foreign-listed shares and have them listed and traded on overseas stock exchange, upon the approval by the banking regulatory authorities and the securities regulatory authorities of the State Council.

For the purposes of the class rights provisions of our Articles of Association, the meaning of "interested shareholder(s)" is:

(a) in the case of a repurchase of shares by offers to all shareholders on the same pro rata basis or through public trading on a stock exchange by our bank in accordance with our Articles of Association, a "controlling shareholder" within the meaning of our Articles of Association;

(b) in the case of a repurchase of shares by a negotiated contract outside of any stock exchange by our bank in accordance with our Articles of Association, a shareholder to which such contract relates; and

(c) in a proposal of the reorganization of our Bank, a shareholder within a class who assumes responsibilities with smaller proportion than other shareholders of the same class or who enjoys different interests from other shareholders of the same class.

RESOLUTIONS – MAJORITY REQUIRED

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than one-half of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.

To adopt a special resolution, votes representing more than two-thirds of the voting rights represented by the shareholders (including shareholders' proxies) present at the meeting must be exercised in favor of the resolution.

VOTING RIGHTS

The ordinary shareholders of our Bank have the right to attend or appoint a proxy to attend shareholders' general meetings and vote thereat. A shareholder (including a shareholder's proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of voting shares and each voting share shall have one vote.

At any shareholders' general meeting, a resolution shall be decided on a poll.

On a poll taken at a meeting, a shareholder (including a shareholder's proxy) entitled to two or more votes need not cast all his votes in the same way.

REQUIREMENT FOR ANNUAL MEETINGS

An annual shareholders' general meeting shall be convened annually, and shall be convened within six months from the close of a preceding accounting year.

ACCOUNTS AND AUDIT

Our Bank shall establish its financial and accounting system in accordance with the laws, regulations and rules stipulated by relevant national authorities. The Board of Directors of our Bank shall have a board audit committee which reports and is responsible to the Board of Directors. The majority of the committee shall be independent Directors, who shall act as chairman and shall have such responsibilities and powers as prescribed by our Articles of Association.

The Board of Directors shall place before the shareholders at every annual shareholders' general meeting financial and accounting reports prepared by our Bank that are required by laws, regulations, department rules and regulatory documents.

Our Bank's annual financial reports shall be made available at our Board of Directors' Office for shareholders' inspection 20 days before the date of such annual shareholders' general meeting. Each shareholder shall be entitled to obtain a copy of the financial and accounting reports. Our Bank shall deliver to each H Share holder reports aforesaid, along with reports of the Board of Directors 21 days before the date of such annual shareholders' general meeting by prepaid mail. Where there are otherwise provisions by the laws, regulations or securities regulatory authority in the listing place where our shares are listed in relation thereto, those provisions shall be observed.

The financial statements of our Bank may, in addition to being prepared in accordance with PRC GAAP and regulations, be prepared in accordance with either IFRS or the accounting standards of the overseas place where our Bank's shares are listed.

If there is any material difference between the annual financial statements prepared in accordance with the two accounting standards, such difference shall be stated in notes to the financial statements. When our Bank distributes its after-tax profits for a relevant fiscal year, the lesser amount of after-tax profits shown in the above-mentioned two financial statements shall prevail.

Our Bank shall publish its financial report twice each fiscal year, i.e. publish the half-year financial and accounting report within 60 days after the end of the first six months of each fiscal year and publish its annual financial and accounting report, which shall be audited by an accounting firm in accordance with the laws within 120 days after the end of the each fiscal year. Where there are otherwise provisions by the securities regulatory authority in the listing place where our shares are listed in relation thereto, those provisions shall be observed.

NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

Shareholders' general meetings are divided into annual shareholders' general meetings and extraordinary shareholders' general meetings.

Under any of the following circumstances, our Bank shall convene an extraordinary shareholders' general meeting within two months of the occurrence of any of the following:

(a) when the number of Directors is less than the quorum as specified by the PRC Company Law or two-thirds of the number of Directors specified in our Articles of Association;

(b) when the unrecovered losses of our Bank amount to one-third of the total amount of its shares;

(c) the request of shareholder(s) who hold(s) individually or in aggregate more than 10% of our shares;

(d) when the Board of Directors deems it necessary;

(e) when such meeting is proposed by the Board of Supervisors;

(f) when such meeting is requested by more than half of the independent Directors;

(g) when such meeting is requested by half of the external Supervisors; or

(h) in other situations as prescribed by our Articles of Association.

When our Bank convenes a shareholders' general meeting, written notice of the meeting shall be given 45 days before the date of the meeting to notify all the shareholders in the share register of the matters to be considered and the date and the place of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning the attendance of the meeting to our Bank 20 days before the date of the meeting.

Our Bank shall, based on written replies from the shareholders received 20 days before the date of the shareholders' general meeting, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting is more than one-half of our Bank's total voting shares, our Bank may hold the meeting. Otherwise, our Bank shall within five days notify the shareholders again by public notice of the matters to be considered and the place and the date for the meeting. Our Bank then may hold the meeting after the publication of such notice.

A notice of a shareholder's general meeting must:

(a) be in the form of writing;

(b) specify the venue, date and time of the meeting;

(c) state the matters and proposals to be considered at the meeting;

(d) provide shareholders such information and explanations required for the them to make sensible decisions on the matters to be discussed. The principle includes (but not limited to), where a proposal is made to merge our Bank with another, to repurchase shares, to reorganize the share capital or to reorganize our Bank in any other way, the specific conditions and the contracts of the proposed transaction shall be provided, if any, and its cause and effect shall be properly explained;

(e) contain a disclosure of the nature and extent of any material interest of any Director, Supervisor, senior management in the matters for discussion and the effect on his capacity as a shareholder insofar as it is different from the interest of the shareholders of the same class, such difference shall be specified;

(f) contain the full text of any proposed special resolution to be voted at the meeting;

(g) contain a clear statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on his behalf and that a proxy need not be a shareholder;

(h) specify the time and venue of serving a power of attorney of the voting proxy for the meeting;

(i) specify the record date on which the shareholders are entitled to attend the general meeting; and

(j) other requirements as stipulated by laws, regulations, and our Articles of Association.

Notice of a shareholders' general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting) by delivery or prepaid mail to their addresses as shown in the share register. For the holders of domestic shares, notice of the meetings may be issued by public notice.

The public notice shall be published in one or more newspapers designated by the securities regulatory authority of the State Council between 45 days and 50 days before the date of the meeting. After the publication of such notice, the holders of domestic shares shall be deemed to have received the notice of the relevant shareholders' general meeting.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at the meeting that convened complied with our Articles of Association.

The following matters shall be decided by an ordinary resolution at a shareholders' general meeting:

(a) to decide on our Bank's business policies and investment plans;

(b) to elect and replace the Directors and to decide on the matters relating to the remuneration of such Directors;

(c) to elect and replace the Supervisors who are shareholders' representative and external Supervisors and to decide on the matters relating to the remuneration of such Supervisors;

(d) to approve the reports of the Board of Directors;

(e) to approve the reports of the Board of Supervisors;

(f) to approve our Bank's annual financial budgets and final accounts;

(g) to approve our Bank's profit distribution and plans for recovery of losses;

(h) to make resolutions on the appointment, dismissal or cessation of appointment of accounting firms by our Bank; and

(i) other matters unless required to be approved by special resolutions in accordance with the laws, regulations or otherwise as stipulated by our Articles of Association.

The following matters shall be decided by a special resolution at a shareholders' general meeting:

(a) the increase or decrease of our Bank's registered capital;

(b) the issuance of our Bank's share certificates or the issuance of securities with the purpose of replenishment of the capital of our bank;

(c) the merger, separation, dissolution and liquidation of our bank;

(d) amendments to our Articles of Association; and

(e) any other matters which are required by laws, regulations, regulatory documents, the securities regulatory authorities of the jurisdictions where our shares are listed and our Articles of Association, and, according to an ordinary resolution of the shareholders' general meeting, may have a significant impact on the us and require adoption by way of a special resolution.

TRANSFER OF SHARES

Unless otherwise specified by the laws and regulations, the shares held by our shareholders may be transferred legally or according to our Articles of Association without any lien attached. To transfer the shares of our Bank, the transferor shall register with the stock registration organization entrusted by our Bank.

All the fully paid-up H Shares can be freely transferred in accordance with our Articles of Association. if the requirements stipulated in our Articles of Association are not met, the Board may refuse to accept any transfer documents without giving explanation for such refusal.

The alteration to, or rectification of, any part of the share register shall be carried out in accordance with the laws of the places(s) where each part of the share register is maintained. The transfer of our Shares shall comply with relevant provisions as required by the regulatory authorities including banking regulatory authorities.

Any entity or individual which or who purchases 5% or more of the total number of the issued shares of the Bank should obtain a prior approval of the banking regulatory authorities.

If any shareholder of the Bank controls a number of shares equal to or over 5% of the total number of the issued shares of the Bank (the "Excess Shares") without prior approval of the banking regulatory authorities, such shareholder holding the Excess Shares shall be subject to the necessary restrictions when exercising the shareholders' rights in respect of the Excess Shares as stipulated in the Articles of Association before a prior approval of the banking regulatory authorities is obtained, including but not limited to:

(1) voting rights at the shareholders' general meeting of our Bank (including voting rights in meetings of class shareholders) shall not be attached to the Excess Shares; and

(2) rights to nominate Directors and Supervisors as stipulated in the Articles of Association shall not be attached to the Excess Shares.

If a shareholder fails to obtain the approval from the banking regulatory authorities on controlling the Excess Shares, such shareholder must transfer such Excess Shares within the period prescribed by the banking regulatory authorities.

PLEDGE OF SHARES

The Bank does not accept any pledge with our own shares as the subject matters. Where any of shareholder pledges his equity interests in the Bank for the benefits of his/her own or others, such shareholder shall strictly comply with the laws and regulations, the requirements of the regulatory authorities, and complete the filing procedure according to the relevant regulations on pledging of shares in the Bank, which shall state the basic information of the pledge including the reasons for the pledge and the number of shares involved, and the shareholder shall provide the Bank with the relevant information in relation to the pledge of equity interests in a timely manner.

Where the Board of Directors considers the pledge to be materially adverse to the stability of our shareholding, the corporate governance, as well as the risk and connected transaction control, the filing shall not be accepted. The Director(s) materially interested in relevant proposal shall abstain from voting at the meeting of the Board of Directors at which such proposal is considered.

A shareholder whose outstanding borrowing amount owed to the Bank exceeds the audited net equity interests held by him for the last year is prohibited from pledging his shares in the Bank.

Where a shareholder pledges 50% or more of his shares in the Bank, the voting rights at the shareholders' general meetings shall be subject to restrictions, and the pledged equity interests cannot exercise its voting rights, and cannot count into the total number of shares held by shareholders who attend the general meeting; and the proposed or nominated Directors by such shareholders cannot exercise voting rights at the Board of Directors meeting nor count into the attendance.

POWER OF OUR BANK TO REPURCHASE OUR OWN SHARES

We may, in accordance with the stipulations of laws, regulations, rules, and our Articles of Association and subject to necessary approvals of the relevant regulatory authority, repurchase our shares under the following circumstances:

(a) for the reduction of our registered capital;

(b) when merging with another company that holds shares in our Bank;

(c) when offering the shares to our employees as a bonus;

(d) when the shareholder disagrees with the resolution of the shareholders' general meeting on the merger or separation of our Bank and requires our Bank to repurchase his shares; and

(e) under other circumstances permitted by the relevant laws, regulations and rules.

We may, with the approval of the relevant regulatory authority, conduct the repurchase in any one of the following ways:

(a) making a pro rata offer of repurchase to all of our shareholders;

(b) repurchasing shares through public trading on a stock exchange;

(c) repurchasing by a negotiated agreement outside of any stock exchange; or

(d) by other means as stipulated by the laws and regulations or as approved by the relevant regulatory authority.

Where we repurchase our shares by a negotiated agreement outside of any stock exchange, the prior approval of shareholders' meeting shall be obtained in accordance with our Articles of Association. We may release, vary such a contract, or waive any right thereunder with the prior approval of shareholders obtained in the same manner.

We should apply to the industry and commerce administration authorities for the change of registration of registered capital in relation to the shares which will be cancelled as we repurchase shares. The total par value of the cancelled Shares shall be reduced from the registered capital of our Bank.

Unless our Bank is being liquidated, it must comply with the following provisions in relation to the repurchase of our issued shares:

(a) where our Bank repurchases our shares at par value, payment shall be made out of the book balance of our distributable profits or out of proceeds of a fresh issue of shares made for that purpose;

(b) where our Bank repurchases our shares at a premium to par value, payment equivalent to the par value shall be made out of the book balance of our distributable profits, out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows: (i) if the shares being repurchased were issued at par value, payment shall be made out of the book balance of our distributable profits; or (ii) if the shares being repurchased were issued at a premium to par value, payment shall be made out of the book balance of our distributable profits, out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall exceed neither the aggregate of the premiums received by our Bank on the issue of the shares repurchased nor the current amount (including the premiums on the fresh issue) of our capital reserve account;

(c) payment by our Bank in consideration of the following shall be made out of our distributable profits: (i) acquisition of rights to repurchase our shares; (ii) amendment of any contract to repurchase our shares; and (iii) release of any of our obligations under any contract to repurchase our shares; and

(d) after the total par value of the cancelled shares has been reduced from our registered share capital in accordance with the relevant provisions, the amount deducted from the distributable profits for payment of the par value portion of the shares repurchased shall be credited into our capital reserve account.

RIGHT OF OUR SUBSIDIARIES TO OWN SHARES IN OUR BANK

There are no provisions in our Articles of Association preventing a subsidiary from owning any of our shares.

DIVIDENDS AND OTHER METHODS OF PROFIT DISTRIBUTION

Our Bank may distribute profits in the form of cash or shares or other methods as approved by the relevant regulatory authority.

Our Bank shall appoint receiving agents for the shareholders who hold H Shares. The receiving agents shall receive, on behalf of relevant shareholders, dividends declared and other monies payable by our Bank in respect of their H Shares.

The receiving agents appointed on behalf of shareholders of the H Shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong (《受託人條例》).

PROXIES OF SHAREHOLDERS

Any shareholder entitled to attend and vote at a meeting of our Bank shall be entitled to appoint one or more other persons (whether a shareholder or not) as his proxy to attend and vote on his behalf, and a proxy so appointed shall:

(a) have the same right as the shareholder to speak at the shareholders' general meeting;

(b) have authority to demand a poll or join in such a demand; and

(c) have the right to vote by a show of hands or by way of poll, except that, where a shareholder has appointed more than one proxy, his/her proxies may only exercise the voting rights when a poll is taken.

Shareholders shall entrust the proxy in writing, and the proxy shall be signed by the shareholders or agents authorized by the shareholders in writing. The instrument appointing a voting proxy shall be deposited at the residence of our Bank or at such other place as is specified for that purpose in the notice convening the meeting, not less than 24 hours before the time for holding the meeting at which the proxy proposes to vote or 24 hours before the time specified for voting. If the appointer is a legal entity, its legal representative or such person as is authorized by its board or other decision-making authorities may attend our shareholders' general meeting as a representative of the appointer.

Any proxy form to be offered by our Board of Directors to a shareholder for appointing a proxy shall enable the shareholder to instruct the proxy to vote in favor of, against from voting and to make a instruction on each event to be voted at the meeting individually. Such a proxy form shall contain a statement, that in the absence of instructions by the shareholder, the proxy can vote as he thinks appropriate.

A vote given in accordance with the terms of an instrument appointing the proxy shall be valid notwithstanding the death or incapacity of the appointer or revocation of the appointment or of the authorization granted by the executed appointing instrument, or the relevant shares in respect of which the proxy is given have been transferred, provided that no notice in writing of such death, incapacity, revocation or transfer has been received by our Bank before the commencement of the meeting at which the proxy is used.

CALLS ON SHARES AND FORFEITURE OF SHARES

Our Bank shall have the right to terminate sending dividend warrants to holders of overseas listed shares by mail, but our Bank shall exercise the right only after a dividend warrant fails to be redeemed for two consecutive occasions, however our Bank can exercise the right after the first occasion on which such a dividend warrant is returned as undelivered.

Our Bank shall have the power to sell, in such manner as the Board of Directors thinks fit, any overseas listed shares of a shareholder of who is untraceable, but is subject to the following conditions: (i) our Bank has distributed dividends for at least three times in respect of such shares within 12 years, but none of such dividends was claimed; and (ii) our Bank, after the expiration of a period of 12 years, made an advertisement on one or more newspapers of the place which our Bank is listed, stating its intention to sell such shares, and notified the securities regulatory authority of the place which our Bank is listed of such intention.

RIGHTS OF SHAREHOLDERS (INCLUDING INSPECTION OF REGISTER OF SHAREHOLDERS)

The ordinary shareholders of our Bank shall enjoy the following rights:

(a) entitlements to dividends and other forms of interest distributions in proportion to the number of shares held;

(b) to attend or entrust a proxy on their behalf to attend the shareholders' general meeting and to exercise their corresponding voting rights in accordance with the proportion to the number of shares held;

(c) the right to supervise business operations of our Bank, and the right to present proposals or to raise inquiries in relation thereto;

(d) the right to transfer, gift or pledge shares held in accordance with laws, regulations and the provisions of our Articles of Association;

(e) the right to obtain relevant information in accordance with laws, regulations and provisions of our Articles of Association, including:

  (i) the right to obtain a copy of our Articles of Association, subject to payment of the cost of obtaining such a copy;

  (ii) the right to inspect and copy the following files, subject to payment of a reasonable charge:

  - all parts of the register of shareholders;
  - the personal information regarding Directors, Supervisors, senior management of our Bank;
  - our share capital;
  - reports showing the aggregate par value, quantity, maximum and minimum price paid in respect of each class of shares repurchased by our Bank since the end of the last accounting year, and the aggregate expenses incurred by our Bank for this purpose;
  - minutes of the shareholders' general meetings, resolution of the Board of Directors meeting and resolution of the Board of Supervisors meeting;
  - the registered bonds of our Bank;
  - the latest audited financial report and the reports of the Board of Directors, the Board of Supervisors, and the auditors thereon; and
  - the latest annual report filed with the State Administration of Industry and Commerce or other competent authorities.

(f) in the event of termination or liquidation of our Bank, the right to participate in the distribution of the remaining assets of our Bank in accordance with the number of shares held; and

(g) other rights conferred by the laws, regulations or our Articles of Association.

QUORUM FOR SHAREHOLDERS' GENERAL MEETINGS AND CLASS SHAREHOLDERS' MEETINGS

Our Bank may convene a shareholders' general meeting where our Bank has received 20 days before such meeting written replies from shareholders who are entitled and intend to attend the meeting and the number of voting shares held by those shareholders is over one-half of our voting shares; or may convene class shareholders' meeting where the number of voting shares held by those shareholders is over one-half of the voting shares of that class. Otherwise, our Bank shall, within five days, notify the shareholders again by public notice of the matters to be considered and the place and the date for the meeting. As notified by announcement, our Bank then may hold the shareholders' general meeting or class shareholders' meeting.

RIGHTS OF MINORITY SHAREHOLDERS

In addition to obligations on controlling shareholders imposed by the relevant laws, regulations, or requirements imposed by securities regulatory authorities in the place where our shares are listed, our controlling shareholders shall not make any decisions that impair the interests of all or part of the shareholders concerning the following aspects when they exercise their rights as shareholders and exercise their voting rights:

(a) to relieve a Director or Supervisor of his duty to act in good faith for the best interest of our Bank;

(b) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person), under any disguise, of our Bank's assets, including (without limitation) opportunities beneficial to our Bank; or

(c) to approve the expropriation by a Director or Supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including (without limitation) rights to distributions and voting rights, except pursuant to a reorganization of our Bank submitted to the shareholders' general meeting for approval in accordance with our Articles of Association.

For these purposes, a "controlling shareholder" means a shareholder who satisfies any one of the following conditions:

- alone, or acting in concert with others, has the power to elect half or more of the Directors;
- alone, or acting in concert with others, has the power to exercise more than 30% of the voting rights in our Bank or to control the exercise of more than 30% of the voting rights in our Bank;
- alone, or acting in concert with others, holds more than 30% of the shares of our Bank; or
- alone, or acting in concert with others, having de-facto controls our Bank in any other manner.

"Acting in concert" refers to over two shareholders who act in the same way in voting for the purpose of extending their proportionate control over the shares of our Bank or consolidating its controlling position through agreement (whether oral or written), cooperation or related party relationships.

"Act in the same way" refers to the situation of proposing resolution, nominating Directors jointly or exercising the voting rights of proxy where no indication is specified.

PROCEDURES ON LIQUIDATION

Our Bank shall be dissolved and carry out liquidation upon the occurrence of any of the following events:

(a) a resolution for dissolution is passed at a shareholders' general meeting;

(b) dissolution is necessary due to a merger or separation of our Bank;

(c) our Bank is declared bankrupt according to law due to its failure to discharge its debts due; or

(d) our Bank's is revoked due to its violation of any law or regulation.

Where the Board of Directors decides to liquidate our Bank due to reasons other than insolvency, the Board of Directors shall include a statement in its notice convening a shareholders' general meeting to the effect that, after making full inquiry into the affairs of our Bank, the Board of Directors is of the opinion that our Bank will be able to repay its debts in full within 12 months of the commencement of the liquidation.

Upon the resolution on liquidation by shareholders' general meeting, all functions and powers of the Board of Directors shall cease immediately.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the liquidation committee's receipts and payments, the business of our Bank and the progress of the liquidation and to present a final report to the shareholders' general meeting upon completion of the liquidation.

OTHER PROVISIONS MATERIAL TO OUR BANK AND OUR SHAREHOLDERS

General Provisions

Our Articles of Association become effective on the date our H Shares are listed and traded on the Hong Kong Stock Exchange. Thereafter, our Articles of Association constitute a legally binding document regulating our organization and activities, and the rights and obligations between our Bank and each shareholder and among the shareholders inter se.

Our Bank may, based on its needs for operation and development and in accordance with the requirements of our Articles of Association, increase its capital.

Our Bank may increase its capital in the following ways:

(a) public offering of shares;

(b) non-public offering of shares;

(c) placing new shares to its existing shareholders;

(d) distributing new shares to its existing shareholders;

(e) covering capital reserve into share capital; and

(f) using any other ways regulated and permitted by the laws, regulations.

Any increase of capital by issuing new shares shall, after being approved in accordance with the provisions of our Articles of Association, be conducted in accordance with the procedures stipulated by the relevant PRC laws and administrative regulations.

Each shareholder of our Bank shall assume the following obligations:

(a) to abide by our Articles of Association and keep business secrets for our Bank ;

(b) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(c) not to withdraw the shares unless in circumstances as permitted by the laws and regulations;

(d) Where a shareholder pledges his equity interests in our Bank as guarantee for the benefit of his own or that of any other persons, he shall strictly comply with the requirements of laws, regulations and regulatory authorities and go through filing procedures of equity interest pledging as prescribed by relevant provisions of our Bank. Where the Board considers the pledge to be materially adverse to the stability of the Bank's shareholding structure, the corporate governance as well as the risk and connected transaction control, the filing shall not be accepted.

Shareholders shall not pledge the equity interests of our Bank when the outstanding balance of the loans they borrowed from our Bank exceeds the audited net value of the equity interests they held in the previous year. Where the amount of equity interests pledged by shareholders reaches or exceeds fifty percent of their share holding in our Bank, such shareholders' voting rights at the shareholders' general meetings shall be restricted, and their equity interests that have been pledged shall be disqualified from voting at the shareholders' general meeting and shall not be included in the total shares held by shareholders attending the shareholders' general meeting; the Directors recommended or designated by such shareholders shall be disqualified from voting at the meeting of the Board and shall not be included in the number of attendees of such meeting;

(e) shareholders shall not seek improper gain or intervene with the decision-making and management rights exercised by the Board of Directors and senior management pursuant to the Articles of Association; nor shall they intervene directly with the Bank's operation and management by going over the Board of Directors and senior management, or damage the interests of the Bank and other stakeholders' legal interests; and

(f) to assume other obligations imposed by the applicable laws and administrative regulations or our Articles of Association.

Shareholders are not liable to make any further contribution to the any share capital other than as agreed by the subscriber of the relevant shares on subscription.

Directors' Qualification Shares

A Director is a natural person, who does not necessarily hold the shares of our Bank.

Board of Directors

The Board of Directors is accountable to the shareholders and exercises the following powers:

(a) to convene shareholders' general meetings, present proposals and report on its performance to shareholders at the shareholders' general meetings;

(b) to implement the resolutions of the shareholders' general meetings;

(c) to formulate and supervise the implementation of the mid-term and long-term development plans and development strategies of our Bank;

(d) to decide the appraisal indexes for the annual operation of our Bank and approve the annual operation plans of our Bank;

(e) to formulate our proposed annual budgets and annual accounting;

(f) to formulate our profit distribution plans and plans for recovery of losses;

(g) to formulate proposals for increases in or reductions of our registered share capital, issuance of shares or bonds with the purpose of supplementary capital;

(h) to adopt resolution of issuance of bonds other than those with the purpose of supplementary capital by our Bank;

(i) to formulate proposals for merger, separation, dissolution or liquidation of our Bank;

(j) to approve the establishment and merging of major branches, in-house departments and overseas establishments of our Bank;

(k) to appoint or dismiss our Bank's president; as required by marketization and specialization, to appoint or dismiss secretary to our Board of Directors and other persons who shall be appointed or dismissed by our Board of Directors based on the nominations by the chairman; to appoint or dismiss our Bank's vice president, president assistant, chief financial officer and other persons who shall be appointed or dismissed by our Board of Directors based on the nominations by the president; to decide on above persons' remuneration and, awards rewards and punishment;

(l) within the scope authorized by our shareholders' general meetings, to decide on or approve our Bank's matters, such as external investments, purchases and sales of assets, substantial credit facilities, pledges of assets, external guarantees, disposal of non-performing assets and write-off of distressed debts;

(m) to approve our basic management system, decide on systems in respect of our risk management and internal control;

(n) to approve working report of annual audit of our Bank;

(o) to approve the planning and implementation plan of our capital adequacy ratio;

(p) to formulate proposals for any amendment to our Articles of Association;

(q) to decide our disclosure of information and assume ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of our accounting and financial report systems;

(r) to propose to the shareholders' meeting the appointment or change to appoint the accounting firms auditing our Bank;

(s) to listen to the President of our Bank on his work report and examine the President's work, monitor and ensure the effective performance of the management functions by the senior management;

(t) to approve our substantial connected transactions and other connected transactions which shall be approved by the Board under laws, regulations, regulatory documents, provisions of securities regulatory authorities of the place(s) where our shares are listed and provisions of our Articles of Association and according to the power conferred by the shareholders' general meeting;

(u) to communicate the regulatory opinions by regulatory authorities and the rectification by our Bank;

(v) to preserve the legitimate rights and interests of depositors and other interest related persons;

(w) to file bankruptcy petitions to the people's court on behalf of our Bank in accordance with the authority by the general meeting of shareholders;

(x) to determine the Green Credit Development Strategy and the working strategy, policy and target for protecting consumers' rights and interests; to examine and approve the green credit target formulated by and the green credit report submitted by the senior management; to listen to the senior management's Special Report on the implementation of consumers' rights and interests protection on a regular basis; and

(y) any other powers prescribed by laws, regulations or our Articles of Association or conferred by shareholders' meeting.

Regular meetings of the Board of Directors shall be held by the Board of Directors at least one time every quarter and be convened and held by the chairman of the Board. Notice of the date and place of the meeting and the matters to be considered shall be served on all of the Directors and Supervisors 14 days before the date of a regular meeting.

Meetings of the Board of Directors shall be held only if more than half of the Directors are present. Each Director shall have one vote.

President

Our president shall be responsible to the Board of Directors and exercise the following powers:

(a) to be in charge of the operation of our administration, and report on his work to the Board of Directors;

(b) to organize the implementation of the resolutions of the Board of Directors, our annual operation plan and our investment proposal;

(c) to determine the external investment, fixed asset purchase, pledges of assets and other guarantees in normal operations of our Bank within the scope of power;

(d) to draft plans for the establishment and removal of our branches, internal and overseas subsidiaries;

(e) to draft the basic management system and measures of our Bank;

(f) to propose to the Board to appoint or dismiss our vice president, president assistant, financial officer and other persons who should be appointed or dismissed by the Board of Directors according to the trends for marketization and professionalization;

(g) to appoint or dismiss other persons except those should be appointed or dismissed by the Board of Directors;

(h) to authorize senior management, persons in charge of internal functional departments, branches, directly affiliated subsidiaries and overseas subsidiaries to engage in business operation;

(i) to propose or decide the remuneration of, benefits for, and incentives for and punishment on our employees;

(j) to propose the convening of interim Board of Directors meetings and present proposals;

(k) to take urgent measures in case of major emergencies in our Bank, and report to entitled regulatory authorities and the Board of Directors immediately; and

(l) other powers conferred by our Articles of Association or granted by the Board of Directors.

Board Of Supervisors

Our Bank shall establish a Board of Supervisors. The Directors, president and other senior management shall not act concurrently as Supervisors. The Board of Supervisors shall be composed of thirteen or less Supervisors. The Board of Supervisors shall have one chairman and shall have vice chairman. Each term of office of a Supervisor is three years, and he/she can be renewable upon re-election. The election or removal of the chairman and the vice chairman shall be determined by more than two-thirds of the Supervisors. A resolution of the Board of Supervisors shall be passed by more than two-thirds of the Supervisors.

The Board of Supervisors shall include external Supervisor(s) elected and removed by a shareholders' general meeting. Shareholders representative Supervisors shall be elected and removed by a shareholders' general meeting; the employee representative Supervisor shall be democratically elected or replaced by the employees of our Bank. The Board of Supervisors is the supervisory body of our Bank and may exercise the following powers:

(a) to supervise the adoption by the Board of Directors of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of our Bank;

(b) to regularly evaluate and report on the scientific nature, the reasonableness and the effectiveness of the development strategies formulated by the Board of Directors;

(c) review our Bank's financial position;

(d) to oversee the conduct of our Directors and senior management in performing their duties, propose removal of our Directors and senior management, who have violated laws, regulations, our Articles of Association or resolutions of the shareholders' meeting;

(e) to make written or oral proposals to the Board of Directors and senior management members or other persons, give indications, conduct discussions, raise questions and require replies when necessary; to require the Directors and senior management to rectify their acts which have prejudiced the interests of our Bank;

(f) to supervise the procedures for selection and appointment of Directors;

(g) to conduct comprehensive evaluation on the work performance of Directors, Supervisors and members of senior management and form final evaluation results for their work performance;

(h) to supervise and inspect our Bank's business decisions, risk management and internal control and guide the work of our Bank's internal audit department;

(i) to supervise the scientific nature and reasonableness of the remuneration management system and policies of the whole Bank and the remuneration packages for the members of senior management;

(j) to propose the convening of extraordinary general meetings, and to convene and preside over the general meetings when the Board of Directors fails to perform or does not perform its duties to convene and preside over the general meeting in accordance with the PRC Company Law;

(k) to present proposals to the shareholders' general meetings;

(l) to attend the Board of Directors meetings and senior management meetings when required, and be entitled to inquire about or put forward proposals in relation to the matters on resolutions of the meetings;

(m) to propose the convening of extraordinary meetings of the Board of Directors and the matters for discussion;

(n) to bring actions against Directors and senior management according to the PRC Company Law;

(o) to carry out an audit of any resigning senior management when necessary;

(p) To verify financial information such as financial reports, business reports and profit distribution plans that the Board of Directors intends to submit to the general meeting and, if in doubt, to appoint, in the name of our Bank, a registered accountant or certified auditor to assist in reviewing such information; and

(q) other powers stipulated by the relevant laws, regulations or our Articles of Association and granted by the shareholders' general meeting.

RESOLUTION OF DISPUTES

Whenever any disputes or claims arise from any rights or obligations provided in our Articles of Association, the PRC Company Law or any other relevant laws, regulations and such claims concern the affairs of our Bank and are between holders of the H Shares and our Bank, holders of the H Shares and our Directors, Supervisors, senior management, or holders of the H Shares and other holders, the relevant parties shall forthwith refer such disputes or claims to arbitration for resolution.

The disputes or claims mentioned above which are referred to arbitration shall be the entire dispute and claim; all persons having a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of the disputes or claims, shall abide by such arbitration if such person is our Bank or a shareholder, Director, Supervisor or senior management of our Bank.

Unless otherwise provided by laws, regulations, departmental rules or regulatory documents, the laws of the PRC shall apply to the settlement by means of arbitration of disputes or claims referred in the above paragraph.

Disputes over the identity of a shareholder and over the register of shareholders do not have to be resolved through arbitration.

A claimant may elect for arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If a claimant elects for arbitration at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

The decision of an arbitration body shall be final, conclusive and binding on all parties.

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax advisor regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this prospectus, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective investors are urged to consult their financial advisors regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

Individual Investors

Pursuant to the latest Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "IIT Law") as amended on June 30, 2011 and the latest Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) as amended on July 19, 2011, dividends paid by PRC enterprises are subject to a PRC withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa 1993 No. 45) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded. For the individual holders of H shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law"), and the Implementation provisions for the Enterprise Income Tax Law of the PRC

(《中華人民共和國企業所得稅法實施條例》), both effective as of January 1, 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The withholding tax may be reduced or eliminated pursuant to applicable treaties for the avoidance of double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No.897) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends of 2008 and onwards. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No.394) which was issued by the SAT on July 24, 2009, provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident is a company that directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81).

Tax Treaties

Investors who are not PRC residents and reside in countries which have entered into avoidance of double taxation treaties with the PRC are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has Avoidance of Double Taxation Treaties with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant income tax treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the income tax at a rate of 20%.

Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 20, 1998, from January 1, 1997, gains of individuals from the transfer of shares of listed enterprises shall continue to be exempted from individual income tax. In the latest IIT Law and its implementing rules, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) (Cai Shui [2009] No. 167), which provides that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from the individual income tax, except for certain shares which are subject to sales limitations as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, there are no laws and regulations expressly requiring that the income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges shall be collected.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected in reality with such establishment or place. Such income tax for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or eliminated pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) effective as of October 1, 1988 and amended on January 8, 2011, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) effective as of October 1, 1988, PRC stamp duty does not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC, as PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in China under the PRC laws.

Hong Kong Taxation

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H shares. However, trading gains from the sale of the H shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for example, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after February 11, 2006.

PRINCIPAL TAXATION OF OUR BANK IN THE PRC

Enterprise Income Tax

As stipulated under the EIT Law, enterprises and other organizations which generate income within the PRC are enterprise income tax payers and are subject to enterprise income tax at the rate of 25%.

Business Tax

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective on January 1, 1994, subsequently amended on November 5, 2008 and implemented on January 1, 2009, engaging in banking activities within the PRC is subject to a 5% business tax.

According to the Pilot Reform for Transition from Business Tax to Value-Added Tax (《營業稅改徵增值稅試點方案》) (Cai Shui [2011] No. 110) issued by the MOF and the SAT and effected on November 16, 2011, pilot reforms for transition from business tax to value-added tax have started since January 1, 2012 in certain service industries such as transportation and some of the modern service industries in pilot areas such as Shanghai and Beijing. According to a further notice of MOF and the SAT, such reform has been expanded nationwide since August 1, 2013.

As of the Latest Practicable Date, our Bank has not been included in the pilot industries for such transformation from business tax to value-added tax.

TAXATION OF OUR BANK IN HONG KONG

Our Directors do not consider that any of our Bank's income is derived from or arises in Hong Kong for the purpose of Hong Kong taxation. Our Bank will therefore not be subject to Hong Kong taxation.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the Notice of the State Council on Further Reforming the Foreign Exchange Management System (《關於進一步改革外匯管理體制的通知》) (Guo Fa [1993] No. 89) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items has been implemented, and the official Renminbi exchange rate and the market rate for Renminbi have been unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. PBOC sets and publishes daily the medium price of Renminbi against the U.S. dollar and the exchange rates of Renminbi against other currencies in reference to the changes in the international foreign exchange markets, which were permitted to float to a certain extent in foreign exchange transactions.

On January 29, 1996, the State Council promulgated the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval, while capital account items remain unchanged. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amended Foreign Exchange Control Regulations clearly states that the State will not impose any restriction on international payments and transfers under the current account items.

On June 20, 1996, PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement (2005) No. 16), issued by PBOC on July 21, 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of foreign currencies such as the U.S. dollar against Renminbi in the interbank foreign exchange market after the closing of the market on each working day, which will be used as the central parity for the transactions of such foreign currency against Renminbi exchange rate on the following working day.

Starting from January 4, 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates and the practice of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD on that day using the weighted average of the remaining market makers' offered quotations after excluding the highest and lowest quotations, and announce the central parity of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On August 11, 2015, the PBOC announced to improve the central parity quotations of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On August 5, 2008, the State Council promulgated the revised Regulations of the PRC for Foreign Exchange Control (the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Bank) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

On October 23, 2014, the State Council promulgated the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No.50), which canceled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds under the items of foreign capital stock listed overseas.

On December 26, 2014, the SAFE issued the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic issuer shall, within 15 business days of the end of its initial public offering overseas, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing may be remitted to the domestic special account or deposited in an overseas special account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents. Approval from SAFE's local branch must be obtained to convert proceeds deposited in a domestic special account into RMB.

On February 13, 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (Hui Fa [2015] No.13), which came into effect on June 1, 2015. The Notice cancels the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

1. FURTHER INFORMATION ABOUT OUR BANK

A. Incorporation

Our Bank was incorporated initially as a sino-foreign joint-venture bank in the PRC in April 1993 under the name of "Zhejiang Commercial Bank Ltd. (浙江商業銀行)". With the approval from the CBRC on June 2004, our Bank was reorganized to a joint-stock limited liability company and renamed as "China Zheshang Bank Co., Ltd.". Our registered address is No. 288 Qingchun Road, Hangzhou, Zhejiang, China. Our Bank has established a principal place of business in Hong Kong at 18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance. Mr. Wong Yat Tung has been appointed as our agent for the acceptance of service of process and notices on behalf of our Bank in Hong Kong. Our address for acceptance of service of process in Hong Kong is the same as the address of our principal place of business in Hong Kong. We conduct our banking business in the PRC under the supervision and regulation of the CBRC and the PBOC. We are not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and are not subject to the supervision of the Hong Kong Monetary Authority, nor authorized to carry on banking and/or deposit-taking business in Hong Kong.

As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in the section Appendix V to this prospectus. A summary of the relevant provisions of our Articles of Association is set out in the section Appendix VI to this prospectus.

B. Changes in Share Capital

When our Bank was reorganized to a joint-stock limited liability company in June 2004, our initial registered capital was RMB1,500,730,000, divided into 1,500,730,000 Domestic Shares of nominal value of RMB1.00 each, all of which were fully paid up.

During the two years preceding the date of this prospectus, our Bank recorded the following changes in our registered capital:

In August 2015, with the approval of relevant PRC governmental authorities, our Bank's registered capital increased from RMB11,506,872,431 to RMB14,509,696,778, divided into 14,509,696,778 Domestic Shares of nominal value of RMB1.00 each, all of which are credited fully paid up.

Save as disclosed above, within the two years preceding the date of this prospectus, there has been no alteration in our registered capital.

Immediately after the completion of the Global Offering, our registered capital will be RMB17,509,696,778, consisting of 14,209,696,778 Domestic Shares and 3,300,000,000 H Shares, which represent approximately 81.15% and 18.85% of our registered capital, respectively (assuming the Over-allotment Option is not exercised).

C. Restriction on Share Repurchase

For details of the restrictions on the share repurchase by our Bank, see "Appendix VI – Summary of Articles of Association – Power of Our Bank to Repurchase Our Own Shares."

D. Resolution of Our Shareholders

Resolutions were passed by our shareholders on April 8, 2015, pursuant to which, among other matters, our shareholders:

(a) approved the conversion of our Bank into an overseas subscription joint-stock company;

(b) approved the issuance and offering of H Shares and the granting of the Over-allotment Option;

(c) approved the listing of H Shares on the Hong Kong Stock Exchange; and

(d) authorized our Board, and the persons delegated by our Board to determine and handle matters relating to the listing of our H Shares with full authority.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this prospectus, which are or may be material:

(a) the cornerstone investment agreement dated March 11, 2016, entered into among Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. (浙江省海港投資運營集團有限公司), CITIC CLSA Capital Markets Limited, CLSA Limited and the Bank, pursuant to which Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. (浙江省海港投資運營集團有限公司) agreed to subscribe for 1,000,000,000 Offer Shares at the Offer Price;

(b) the cornerstone investment agreement dated March 8, 2016, entered into among Yancoal International (Holding) Company Limited (兗煤國際（控股）有限公司), Yanzhou Coal Mining Company Limited (兗州煤業股份有限公司), CMB International Capital Limited (招銀國際融資有限公司) and the Bank, pursuant to which Yancoal International (Holding) Company Limited (兗煤國際（控股）有限公司) agreed to subscribe for 400,000,000 Offer Shares at the Offer Price;

(c) the cornerstone investment agreement dated March 12, 2016, entered into among Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership) (紹興領雁股權投資基金合夥企業（有限合夥）), Zhejiang Lingyan Capital Management Co., Ltd. (浙江領雁資本管理有限公司), CITIC CLSA Capital Markets Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., ABCI Capital Limited, CLSA Limited, Huarong International Securities Limited and the Bank, pursuant to which Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership) (紹興領雁股權投資基金合夥企業（有限合夥）) agreed to subscribe for 250,000,000 Offer Shares at the Offer Price;

(d) the cornerstone investment agreement dated March 10, 2016, entered into among Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司), CITIC CLSA Capital Markets Limited, CLSA Limited and the Bank, pursuant to which Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司) agreed to subscribe for such number of Offer Shares which may be purchased with an aggregate amount of Hong Kong dollars equivalent of US$100 million at the Offer Price;

(e) the cornerstone investment agreement dated March 7, 2016, entered into among Alipay (Hong Kong) Investment Limited, CITIC CLSA Capital Markets Limited, China International Capital Corporation Hong Kong Securities Limited, Goldman Sachs (Asia) L.L.C., ABCI Capital Limited, CLSA Limited and the Bank, pursuant to which Alipay (Hong Kong) Investment Limited agreed to subscribe for such number of Offer Shares which may be purchased with an aggregate amount of Hong Kong dollars equivalent of US$30 million at the Offer Price; and

(f) the Hong Kong Underwriting Agreement.

B. Intellectual Property Rights

As of the Latest Practicable Date, we have registered or applied for registration of the following intellectual property rights which are material to our business:

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Place of Registration	Class	Registration No.	Effective Period
1.	浙商银行 CHINA ZHESHANG BANK	China	36	4218198	From September 28, 2010 until September 27, 2020
2.	浙商银行	China	16	6383408	From July 14, 2010 until July 13, 2020
3.	浙商银行	China	36	4218197	From September 28, 2010 until September 27, 2020
4.	CZBANK	China	16	8072306	From March 7, 2011 until March 6, 2021
5.	C Z B	China	36	8074614	From April 7, 2011 until April 6, 2021
6.		China	36	4346384	From May 7, 2008 until May 6, 2018
7.		China	36	8080359	From April 21, 2011 until April 20, 2021
8.	95527	China	36	8641394	From October 21, 2011 until October 20, 2021
9.	浙 商 商 银 通	China	36	11949216	From August 28, 2014 until August 27, 2024

No.	Trademark	Place of Registration	Class	Registration No.	Effective Period
10.	浙商e银行	China	36	6023294	From March 21, 2012 until March 20, 2022
11.	浙商e转通	China	36	11949155	From June 14, 2014 until June 13, 2024
12.	浙商e通天下	China	36	6383744	From May 14, 2010 until May 13, 2020
13.	至尊计划	China	36	14125525	From April 14, 2015 until April 13, 2025
14.	浙商财富管理 ZHESHANG WEALTH MANAGEMENT	China	36	11948267	From August 28, 2014 until August 27, 2024
15.	浙银	China	18	6383404	From May 7, 2010 until May 6, 2020
16.	浙银	China	9	6383406	From March 28, 2010 until March 27, 2020
17.	浙银	China	35	6383403	From July 7, 2010 until July 6, 2020
18.	浙银	China	41	11942882	From June 7, 2014 until June 6, 2024
19.	浙商银行股份有限公司 CHINA ZHESHANG BANK CO.,LTD. 浙商银行股份有限公司 CHINA ZHESHANG BANK CO.,LTD. 浙商银行股份有限公司 CHINA ZHESHANG BANK CO.,LTD.	Hong Kong	16, 35, 36	303440781	From June 12, 2015 until June 11, 2025
20.		Hong Kong	16, 35, 36	303416995	From May 21, 2015 until May 20, 2025
21.		Hong Kong	16, 35, 36	303440772	From June 12, 2015 until June 11, 2025

No.	Trademark	Place of Registration	Class	Registration No.	Effective Period
22.	CZB CZB CZB	Hong Kong	16, 35, 36	303440808	From June 12, 2015 until June 11, 2025
23.	CZB CZB	Hong Kong	16, 35, 36	303440817	From June 12, 2015 until June 11, 2025
24.	CHINA ZHESHANG BANK CHINA ZHESHANG BANK	Hong Kong	16, 35, 36	303440826	From June 12, 2015 until June 11, 2025

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Place of Application/ Registration	Application Class(es)	Application No.	Application Date
1.	浙商银行 CHINA ZHESHANG BANK 浙商银行 CHINA ZHESHANG BANK 浙商银行 CHINA ZHESHANG BANK	Hong Kong	16, 35, 36	303472506	July 15, 2015
2.	浙銀 浙銀	Hong Kong	16, 35, 36	303519900	August 28, 2015
3.	浙銀國際 浙銀國際	Hong Kong	16, 35, 36	303519919	August 28, 2015
4.	CZBANK CZBANK CZBANK	Hong Kong	16, 35, 36	303529323	September 8, 2015

No.	Trademark	Place of Application/ Registration	Application Class(es)	Application No.	Application Date
5.	浙商银行 CHINA ZHESHANG BANK 全国性股份制商业银行	Hong Kong	16, 35, 36	303679804	February 4, 2016
6.		Hong Kong	16, 35, 36	303682549	February 11, 2016
7.	CZBANK 浙商银行	Hong Kong	16, 35, 36	303682558	February 11, 2016
8.	浙商银行	Hong Kong	16, 35, 36	303682530	February 11, 2016

(b) Domain Names

As of the Latest Practicable Date, we have registered the following material Internet domain names:

No.	Domain Name	Place of Registration	Owner	Effective Period
1	czbank.com	China	Our Bank	From May 22, 2004 until May 22, 2023
2	czbank.com.cn	China	Our Bank	From May 26, 2004 until May 26, 2023

Save as disclosed herein, there are no other trademarks, patents or other intellectual or industrial property rights which are material to our business.

C. Our Depositors and Borrowers

Our five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits and loans and advances to customers as of the Latest Practicable Date.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDER

A. Substantial Shareholder

For detailed information on the persons who, to the best knowledge of the Directors, will have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to the Hong Kong Stock Exchange under the Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at the shareholders' general meetings of the Bank, immediately following the completion of the Global Offering, see "Substantial Shareholders" in this prospectus.

B. Disclosure of the Directors' and Supervisors' interests in the issued share capital of our Bank or our associated corporations

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), none of our directors, supervisors and chief executive will have any interests or short positions in the Shares, underlying Shares or debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or any interests or short positions, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules, which will be required to be notified to us and the Hong Kong Stock Exchange, or any interests or short positions, pursuant to section 352 of the SFO, which will be required to be entered in the register referred to therein. For this purpose, the relevant provisions of the SFO shall be construed as if they are applicable to our Supervisors.

C. Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, obedience of the Articles of Association and provisions on arbitration. Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

D. Directors' and Supervisors' Remuneration

The aggregate remuneration paid by our Bank to our Directors and Supervisors for the year ended December 31, 2014 and the nine months ended September 30, 2015 was RMB15.09 million and RMB9.69 million, respectively.

Pursuant to the existing arrangements, for the year ending December 31, 2016, it is estimated that the aggregate remuneration and benefits in kind to be received by the Directors and Supervisors would be approximately RMB20.23 million.

E. Personal Guarantees

No Director or Supervisor has provided personal guarantees for the benefit of the lenders in connection with any banking facilities granted to us.

F. Agency Fees or Commissions Paid or Payable

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed in the paragraph headed "4E. Qualifications of Experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms from us in connection with the issuance or sale of any capital of our Bank within the two years preceding the date of this prospectus.

G. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors, Supervisors or any party listed under paragraph 4E. Qualifications of Experts of this Appendix is:

  (i) interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Bank; or

  (ii) materially interested in any contract or arrangement subsisting as of the date of this prospectus which is significant to our business;

(b) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in paragraph 4E. Qualifications of Experts of this Appendix:

  (i) is interested legally or beneficially in any of our Shares or our securities; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our Shares or any of our securities;

(c) none of our Directors or Supervisors or their associates or any shareholders of our Bank who, to the knowledge of the Directors, owns more than 5% of our issued share capital has any interest in our top five depositors and borrowers during the Track Record Period; and

(d) none of our Directors or Supervisors is a director or employee of a company which has an interest in the share capital of our Bank that has to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO after the listing of H Shares on the Hong Kong Stock Exchange.

4. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that currently no material liability for estate duty under PRC law that is likely to be imposed on us.

B. Litigation

Save as disclosed in the subsection entitled "Legal and Regulatory" under the section entitled "Business" of this prospectus, our Bank is not involved in any litigation, arbitration or administrative proceedings of material importance and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against us as of the Latest Practicable Date.

C. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Joint Sponsors satisfy the independence criteria set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will charge a total amount of US$2 million as the Joint Sponsors' fee.

D. Preliminary Expenses

Our preliminary expenses are estimated to be approximately RMB7.52 million and are payable by us.

E. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice in this prospectus are as follows:

Name	Qualification
CITIC CLSA Capital Markets Limited	A corporation licensed to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Goldman Sachs (Asia) L.L.C.	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined under the SFO
ABCI Capital Limited	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Zhejiang T&C Law Firm	Qualified PRC legal advisers
PricewaterhouseCoopers	Certified Public Accountants

F. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospect of our Bank since September 30, 2015.

G. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

H. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus, (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of our Bank;

(b) no share or loan capital of our Bank is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) none of our equity and debt securities is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(e) there are no arrangements under which future dividends are waived or agreed to be waived;

(f) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(g) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(h) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(i) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(j) we have no outstanding convertible debt securities; and

(k) we currently do not intend to apply for the status of a Sino-foreign investment joint-stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.

I. Consents

Each of the experts as referred to in "– E. Qualification of Experts" of this prospectus has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of its reports, letters, and/or opinions (as the case may be) and/or the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Bank or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Bank.

J. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. Promoters

The Promoters of our Bank comprised 15 corporate shareholders, including Zhejiang Communications Investment Group Co. Ltd., China Wanxiang Holding Co., Ltd. Traveller Automobile Group. See "Our History and Development."

Save for the Global Offering and as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the Promoters named above in connection with the Global Offering or the related party transactions described in this prospectus.

L. Compliance Advisor

We have appointed ABCI Capital Limited, as our compliance advisor upon listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that described in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information set out in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry on us regarding unusual movements in the price or trading volume of H Shares of our Bank, the possible development of a false market in H Shares or any other matters.

The term of appointment shall commence on the Listing Date and end on the date on which we publish our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

M. Particulars of the Selling Shareholders

Certain particulars of the Selling Shareholders are set out as follows:

Name	Description	Address	Number of Sale Shares (assuming that the Over-allotment Option is not exercised)	Additional Number of Sale Shares Offered pursuant to the Over-allotment Option
Zhejiang Provincial Financial Holdings Co., Ltd. (浙江省金融控股有限公司)	Its business scope mainly comprises financial equity investment, management of governmental equity investment fund and asset management	No. 5-1 Zheda Road, Xihu District, Hangzhou, Zhejiang, PRC (中國浙江省杭州市西湖區浙大路5-1號)	209,661,548	31,449,233
Zhejiang Provincial Energy Group Co., Ltd. (浙江省能源集團有限公司)	Its business scope mainly comprises operation of state-owned assets and state-owned equity of group companies and its subsidiaries as authorized by the state	No.152 Tianmushan Road, Hangzhou, Zhejiang, PRC (中國浙江省杭州市天目山路152號)	66,415,502	9,962,325
Keqiao District Shaoxing China Light & Textile City Market Development & Operation Co., Ltd. (紹興市柯橋區中國輕紡城市場開發經營有限公司)	Its business scope mainly comprises investment and development of the infrastructure and commonweal projects in the Light & Textile City, real estate development, market development, construction, operation management of the Light & Textile City	21th floor, Keqiao Chuangyi Plaza, Keqiao District, Shaoxing, Zhejiang, PRC (浙江省紹興市柯橋區柯橋創意大廈21樓)	23,922,950	3,588,442

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the Application Forms;

(b) the written consents referred to in the paragraph entitled "4I" in Appendix VIII to this prospectus;

(c) copies of each of the material contracts referred to in the paragraph entitled "2A" in Appendix VIII to this prospectus; and

(d) the statement of particulars of the Selling Shareholders.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Freshfields Bruckhaus Deringer at 11/F, Two Exchange Square, Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of the prospectus:

(a) our Articles of Association;

(b) the accountant's report from PricewaterhouseCoopers in respect of the historical financial information for each of the three years ended December 31, 2012, 2013 and 2014 and the nine months ended September 30, 2015, the text of which is set out in Appendix I to this prospectus;

(c) the unaudited supplementary financial information of our Bank, the text of which is set out in Appendix II to this prospectus;

(d) the report from PricewaterhouseCoopers in respect of the unaudited pro forma financial information of our Bank, the text of which is set out in Appendix III to this prospectus;

(e) the material contracts referred to in the paragraph entitled "2A" in Appendix VIII to this prospectus;

(f) the written consents referred to in the paragraph entitled "4I" in Appendix VIII to this prospectus;

(g) the service contracts referred to in the paragraph entitled "3C" in Appendix VIII to this prospectus;

(h) the legal opinions issued by Zhejiang T&C Law Firm, our legal advisors as to PRC law, in respect of the general matters and property interests of our Bank;

(i) copies of the following PRC law, together with unofficial English translations thereof:

 (i) the PRC Company Law;

 (ii) the PRC Securities Law;

 (iii) the Special Regulations;

 (iv) the Mandatory Provisions;

(v) the PRC Arbitration Law;

(vi) the PRC Civil Procedure Law; and

(vii) the PRC Commercial Banking Law.

浙商银行股份有限公司
CHINA ZHESHANG BANK CO., LTD.