

2016 Environmental, Social and Governance Report



About this Report

China Zheshang Bank 2016 Environmental, Social and Governance Report complies with the *Environmental, Social and Governance (ESG) Reporting Guide by Hong Kong Stock Exchange (2016)* ("ESG 2016"). This report focuses on the China Zheshang Bank's conducts of responsibilities on environment and society, and is published as a reference for the stakeholders. The Company has complied with the "comply or explain" provisions set out in the 2016 HKEx ESG Reporting Guide.

As a new member of listed companies on HKSE, we constantly observe corporate governance compliance requirements of the listed market, systematically manage our corporate governance. For the details of corporate governance, welcome to read the *CZBank 2016 Annual Report* or obtain information from CZBank website at <http://www.czbank.com/>.

Available versions

The report has publishing versions in both Chinese and English. Any discrepancies between different versions, the Chinese version should prevail.

Publishing formats

This report is published in hardcopies and in electronic copy. The e-copy can be viewed and downloaded at <http://www.czbank.com/>; <http://www.hkex.com.hk/>.

Reporting time span

The report covers the events mostly between 1st January 2016 and 31st December 2016. Occasionally events reported are out of this period.

Covering organizations

This report covers the events of the head office as well as the branches of China Zheshang Bank. To make the wording brief, China Zheshang Bank Co. Ltd. will be indicated by "CZBank" or "we".

Data source

The financial data of this report are extracted from *CZBank 2016 Annual Report*. Other data are gathered from our internal documents and surveys. Part of the content and data are quoted from the previous years.

Place of maintenance of this report

China Zheshang Bank Head office

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* China Zheshang Bank Co., Ltd. is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of 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.

The Introduction



China Zheshang Bank Chairman
Mr. Shen Renkang

2016 marks the beginning of “13th Five-Year Plan”, a year for banks of China to deepen their transformation, and the 12th year of CZBank’s marching with pioneering projects and steady progress. In retrospect, we gained remarkable growth. The growth has been driven and encouraged by our desire to serve the real economy and to constantly improve people’s living standard.

沈仁康



China Zheshang Bank President
Mr. Liu Xiaochun

In 2016 CZBank faced with a complex economic and financial environment, but we embraced the economic changes with innovations and sustained ethical operations, created a combination of economical, social and environmental values, and constantly exploring corporate social responsibility approaches that match our business characteristics.

刘肖春

The Introduction

CZBank headquartered in Hangzhou. We are the only joint equity commercial bank from Zhejiang Province with nationwide services. We were listed on 30th March 2016 in Hong Kong with the stock code of 02016. We have set up 170 branches among 14 provinces and municipalities in China. Our first branch in Hong Kong is expected to operate in 2017 which marks our first step into overseas markets. From August 2016, CZBank upgraded its brand image. The new brand shows our brand nature as “Holistic, Agile, Vibrant”.



“Two Most” Objectives

By 2025

To become the “most” competitive joint equity commercial bank in China

To become the “most” significant financial platform in Zhejiang Province

in the
chart of top
1000
world banks

CZBank ranked **117th** in terms of total asset,
and **158th** in terms of tier-1 capital

by *The Banker Magazine*

CZBank ranked **186th**

A **129%** surge compared to
the brand value in the beginning of 2016

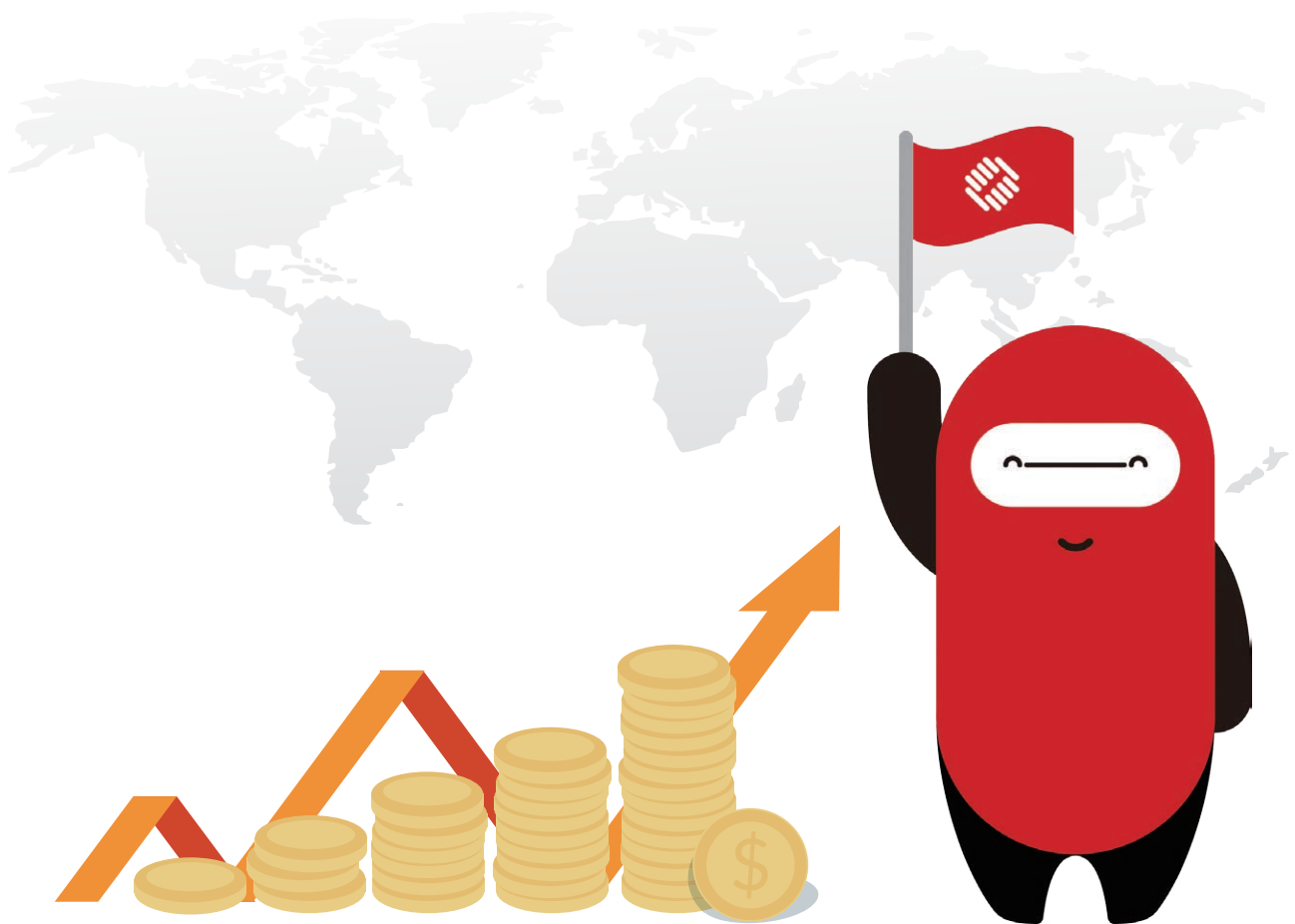
This represents the **6th** biggest increase of
brand value among all the international banks

in the top
500
brand value
of banks

Principles and Ideology

To uphold the “Two most” objectives, in 2016, CZBank sticks to the full-asset class operation strategy, taking the transition period as an opportunity, actively pursue the development of ourselves as well as exploring corporate social responsibilities (“CSRs”) approaches that match our business characteristics.

CZBank holds the philosophy to reward the society with our gains from the society. We actively fulfill the CSRs as well as share our business gains with customers, employees, shareholders and the society, commit to have our customers enjoy our service values, creating more values through quality financial services, and adding values to our organization. In doing so, we realized the self-fulfilment of our employees and made common development for all relevant parties.



Economy

2016 is the beginning year of CZBank's third five-year plan. Our focus has been implementing the supplyside restructuring during our third five-year plan. With our full-asset class operation strategy corresponding with the guided development trend of banks in the "13th Five-Year plan", we have the ability to uphold the supplyside structural reform. We fulfill our economic responsibility, support the development of the new economy and strengthen the real economy with innovative finance.

Economic Performance

Indicators	Unit	2014	2015	2016
Total assets	billion Yuan	669.957	1,031.650	1,354.855
Operating income	billion Yuan	17.397	25.130	33.653
Profit before income tax	billion Yuan	6.792	9.380	13.392
Net profit attributable to shareholders of the Company	billion Yuan	5.096	7.051	10.153
Return on average total assets (ROA)	/	0.88%	0.83%	0.85%
Allowance to non-performing loans	/	292.96%	240.83%	259.33%
Capital adequacy ratio	/	10.60%	11.04%	11.79%
Shareholder's equity	billion Yuan	33.150	49.657	67.475
Return on average equity (ROE)	/	16.72%	17.03%	17.34%
Total loans and advances to customers	billion Yuan	259.023	345.423	459.493
Customer deposits	billion Yuan	363.280	516.026	736.244
Balance of non-performing loans	billion Yuan	2.290	4.233	6.102
Ratio of non-performing loans	/	0.88%	1.23%	1.33%
Total loans to national-standard small and micro enterprises	billion Yuan	116.182	211.962	625.471
Balance of national-standard small and micro enterprises loans	billion Yuan	89.409	107.415	143.629
Ratio of national-standard small and micro businesses enterprises loans in overall balance of loans	/	34.57%	31.03%	31.23%
National-standard small and micro enterprises accounts	accounts	40,633	47,160	62,015
Balance on consumer credit accounts	billion Yuan	0.148	0.130	4.162
Balance of agriculture-related loans	billion Yuan	57.055	65.487	86.992
Loan balance on government-subsidised housing	billion Yuan	1.866	1.066	2.447
International RMB businesses	billion Yuan	27.6	89.5	70.7
Loan balance for the support of traditional industries	billion Yuan	46.758	54.225	73.728
Year-on-year growth ratio of loans issued in support of traditional industries	/	8.52%	19.84%	22.84%
Loan balance for the support of strategic emerging industries	billion Yuan	10.562	13.533	25.455
Year-on-year growth ratio of loans issued in support of strategic emerging industries	/	20.92%	142.72%	11.28%

Economy

Inclusive Financial Services

As the first commercial bank setting up the institutes specialized in servicing small and micro enterprises in China, CZBank has always been and will be dedicated to improving the inclusive financial system from the perspective of micro businesses and the general public.

CZBANK provides customized differentiated financial services to individual businesses, according to the entrepreneurial phases they are in and the capability of their founders; We have established R&D units specializing in micro-financial products, and developed approximately 40 products covering small enterprises, micro businesses and personal businesses according to the key concerns of small and micro businesses owners; We have been and will be working on the implementation and enforcement of financial poverty-aid projects, and developed the *CZBank Poverty-Aid Plan during the "13th Five-Year Plan" and the Poverty-Aid Plan 2016*.

Balance of national-standard small and micro enterprises loans	143.629 billion Yuan 31.23% of the total balance of loans	National-standard small and micro enterprises debtors	62,015 accounts
Balance of poverty-aid loans	23.0029 million Yuan	Loans for Out-of-poverty Population	22.0557 million Yuan

Note: data collected up to the end of 2016

the Principle and Measures for Small and Micro businesses Risk Management

Principle: Develop specialized institutes distinct from those serving the medium and large enterprises, according to the features of small and micro businesses, including their operational procedures, authorization, credit rating, collateral assessment and pricing, to construct risk management mechanism which emphasizes on control of substantial risks.

Double Investigators Model ("Account Manager + Risk Manager")

Optimize the Screening Process

Stick to the screening standards for high-quality small and micro businesses and be strict on admission standards for credit in order to avoid extension of risks.

Delegate the authority of loan approval

Fully delegate the approval authority on small and micro enterprises loans to the principals of the specialized institutes. Allow the principals to sub-delegate parts of the services.

Implement the Risk Manager Mechanism

Conform with the "Four Eyes" investigation requirement of the China Banking Regulation Commission ("CBRC"). Meanwhile, move the risk checkpoint to an earlier stage.

Introduce Risk Controllability Ranking Model

Rank the risks controllability of small and micro enterprises loans from high to low as four models, namely model A, B, C and D. Design simple or complicated individual operation procedures accordingly to balance efficacy and risks.

Economy

Industrial Transformation and Upgrading Services

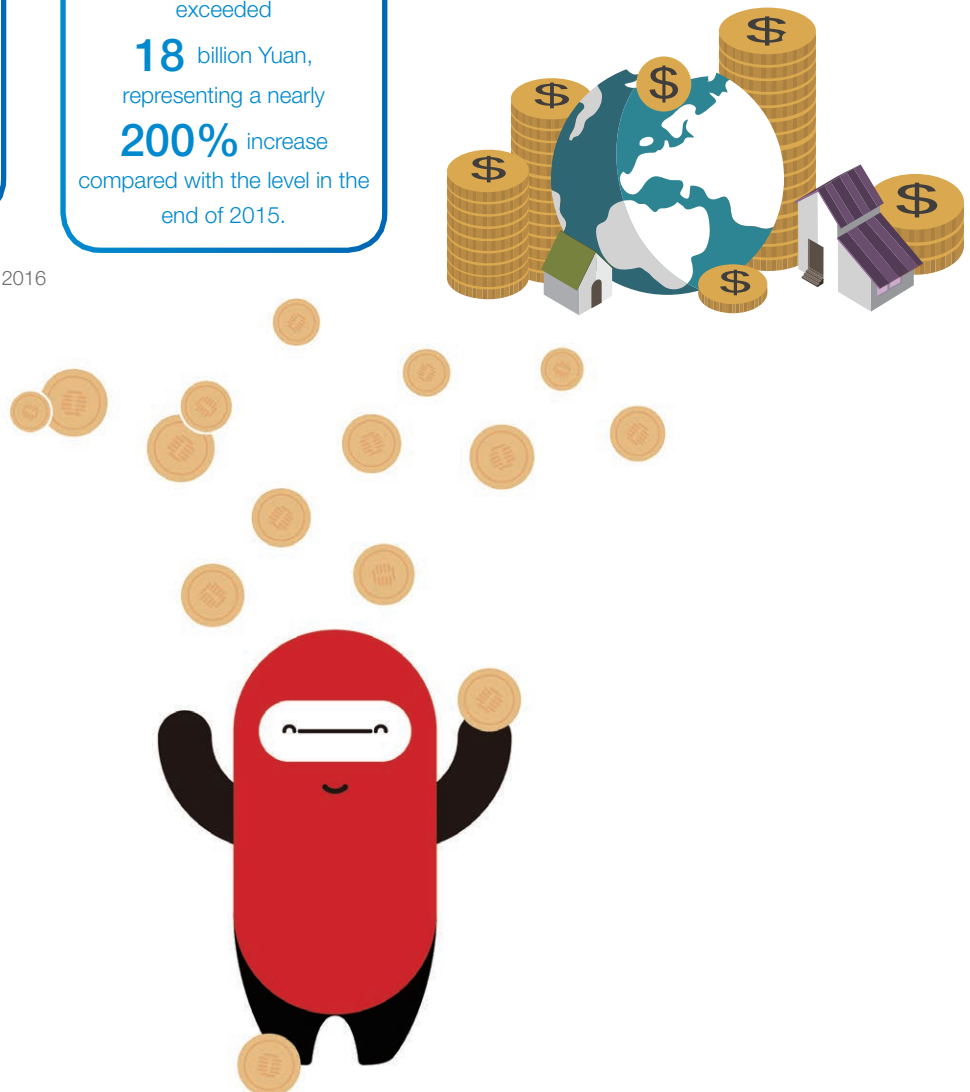
In accordance to key national strategies and projects, CZBank has been providing quality financial services among Zhejiang Province as well as the rest of China, actively working with local governments to promote economic development. We have signed strategic cooperation agreements with the provincial and municipal governments of Jiangsu, Hubei, Hangzhou, Wuhan, Ningbo among others, to support the transformation and upgrading of the local industries in product innovation, industry-finance integration and other aspects.

CZBank has grouped professional teams to vigorously promote the development of emerging industry. The roles of financing, credit intermediation, derivative services and other functions as well have been fully utilized to help enterprises reduce costs, increase production efficiency and accelerate industrial transformation and upgrading through creating new business models, including a three-in-one financial service which integrates funds, assets and services.

A total sum balance of more than **120** billion Yuan was funded for the top five emerging industries, representing an increase over **100%** compared with the level in the end of 2015.

The balance funded toward intelligent manufacturing exceeded **18** billion Yuan, representing a nearly **200%** increase compared with the level in the end of 2015.

Note: data collected up to the end of 2016



Environment

CZBank has always been advocating green finance, carrying out diverse measures to accelerate the development of green finance projects and aim for both the development of the businesses as well as the environmental protection. We have been persistent in conducting green operation, strictly comply with the *Environmental Protection Law of PRC*, actively controlling carbon and other greenhouse gas emissions, as well as pollution, toxins and wastes discharges. We are not only care about, but also committed to generating the green public welfare, involving employees, customers, suppliers and the general public into the company's green endeavor.

Environmental Protection Performance Results




Indicators	Units	2014	2015	2016
Loan balance on the account of the strategic emerging industry	billion Yuan	10.562	13.533	25.455
Loan balance on the account of green projects	billion Yuan	1.232	0.547	0.663
Loan Balance to the account "Two-high-and-one excessive" Industries	billion Yuan	15.190	17.506	24.081
Ratio of Loans for "Two-high-and-one excessive" Industries over balance of total Loans	/	5.86%	5.00%	5.24%
Number of e-banking transactions	thousand transactions	19,964.8	25,678.5	35,615.2
Number of CZBank operating branches	number of branches	121	133	170
Ratio of e-business	/	93.49%	95.37%	95.91%
Number of employees participated in public welfare activities	number of employees	1,559	1,297	3,905
Input capital for environmental protection Welfare	thousand Yuan	414	458.5	1,021
Office water consumption of the headquarter building	ton	21,330	37,220	32,653
Office electricity consumption of the headquarter building	kwh	4,775,498	5,981,245	5,607,079
Corporate car fuel consumption of the headquarter building	liter	27,443	50,411	45,603
Office paper consumption of the headquarter building	sheet	45,360	54,240	72,000



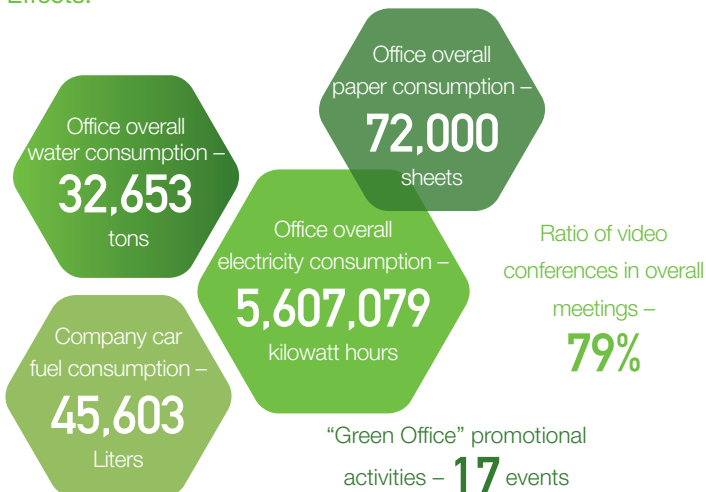
Environment

Green Operations

The ideology of “Green, Low Carbon, Health and Environmental Protection” is deeply embedded in CZBank’s business development. We adhere to green operations; our employees are strictly required to observe energy conservation requirements, as an effort to reduce energy consumption in office buildings and work processes. Meanwhile, we have been promoting and reinforcing the idea of environmental protection to our customers and external vendors. Within the scope of CZBank operations, we use recycled paper and uniforms with recycled materials, in order to achieve “Green Business Operations” in all offices and branches.

Green Operation Measures	
Measures	Content
 Green building	<ul style="list-style-type: none"> The CZBank’s Qianjiang New Town Building and local branches are constructed with green materials and equipped with environmental friendly furniture, energy saving LED lights. Recycling and green technologies were adopted such as natural lighting, ventilation and energy recycling.
 Green office environment	<ul style="list-style-type: none"> CZBank has introduced the <i>CZBank Headquarter Energy Conservation Action Plan</i>, the <i>CZBank Office Building Management Regulations</i> and other green policies. Electricity Saving: Use peak and off-peak electricity, fixed the setting of the maximum and minimum temperature of air conditions during summers and winters, and purchasing energy saving appliances. Water saving: CZBank has been advocating reasonable water usage and conducting water pressure control for day-to-day usage to maintain a moderate level. Waste Management: CZBank required expressly that wastes such as paper, batteries, lighting supply and furniture need to be recycled. Paperless Office: CZBank has set up video conference system and office management system in all branches. Green travel: We encourage employees to travel with public transportation or walk to destinations.
 Green procurement	<ul style="list-style-type: none"> CZBank has constructed a centralized purchase management system and unified information collection system. In accordance to the <i>CZBank Internal Procedures for Centralized Purchasing (Pilot Programme)</i>, green, environmentally friendly and energy saving products and suppliers are the preferred choices of CZBank during purchase bidding.

Effects:



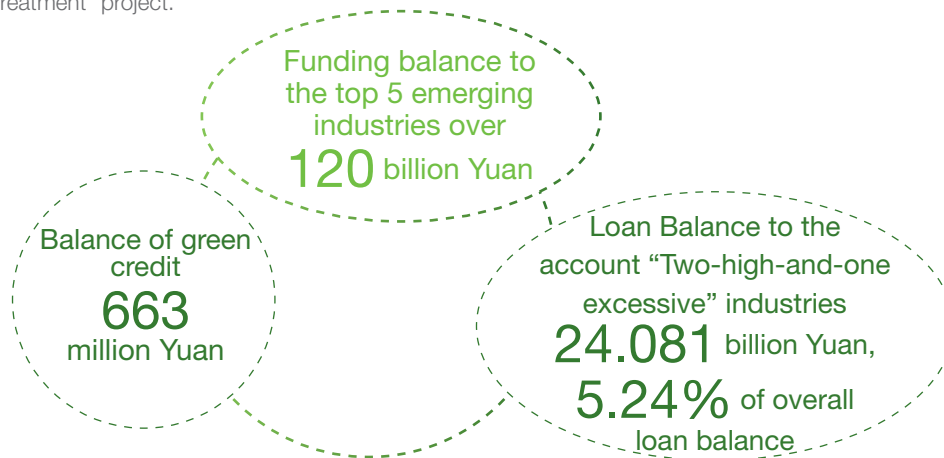
The CZBank Qianjiang New Town Building is built with green construction materials, energy saving technologies and other green measures.

(Note: data collected up to the end of 2016, from the CZBank headquarter building only)

Environment

Green Credit

In recent years, CZBank has been incorporating environmental and social risks management into its risk management policies, in light of the *Green Credit Guidelines* issued by the CBRC; continuously enforcing the *CZBank advice on the comprehensive promotion of the green credit strategy*; imposing strict credit controls on the “Two-high-and-one excessive” industries, in accordance with the *Guidance for industrial restructuring and the Catalogue of high-pollution and high-environmental-risk products*; supporting the green industries such as energy conservation, environmental protection, clean energies and new energy vehicles; actively participating in promoting key programmes in Zhejiang such as the Photovoltaic panels for a million residential homes and “the comprehensive water treatment” project.



Note: data collected up to the end of 2016

Green Credit Measures



CZBank has established a workgroup for the project of *Photovoltaic panels for a million residential homes*. The workgroup designs the *CZBank funding service scheme for installing photovoltaic panels on residential rooftops*. Services introduced include new funding models such as financial lease and credit card installment. Key manufacturers are selected to cooperate in the pilot program of financing for installing photovoltaic panels on residential rooftops.



CZBank has carried out research of the photovoltaic industry chain, pioneered the financial services for the whole photovoltaic industry chain, especially the power station funding service for end users.



CZBank has conducted preliminary investigation on the segmented categories of the clean energy sector, including hydroelectric, gas generation and gas-fired electricity.

Green Public Welfare

Green public welfare is the theme of CZBank's philanthropic and public welfare activity. We are dedicated to creating green eco-communities, developing a green civilization and sharing the low-carbon lifestyle with the society.

Capital input in environmental protection

1.021
million Yuan

Organized environmental protection activities

44
events

Note: data collected up to the end of 2016

Society

CZBank has been constantly rewarding the society. In our business conducts, we pay close attention to supplier management, care about the work and lives of our employees, strengthen the protection of customers' rights and interests, keep up product and service innovations according to different needs; protect the general public and special groups from financial scams via various promotional and educational activities, organize philanthropic events with consideration to the needs of the local communities, and develop a harmonious society with care.

Social Performance Results

Indicator	Unit	2014	2015	2016
Customer satisfaction	/	99.6%	99.52%	99.61%
Resolving rate of complaints	/	100%	100%	100%
Resolved customer complaints	case	10	17	162
Corporate e-banking transactions	million transactions	2.0597	2.1747	3.4079
Total public welfare expenditure	million Yuan	5.6827	4.5642	8.8480
Total sum of poverty-aid for the whole year	million Yuan	1.3008	1.2899	1.34
Overall duration of volunteer work	hour	1,681	2,127	5,632
Number of public welfare projects	projects	45	51	72
Number of beneficiaries from the public welfare projects	people	5,498	5,725	50,858
Employee Training	time	1,365	1,235	1,544
Number of overall participants trained	people	88,287	125,370	141,629
Total training expenditure	million Yuan	12.115	25.306	36.90
CSR training	event	1	1	16
Total number of CSR training participants	people	146	162	1,501
CSR capital input	thousand Yuan	160	180	729
Total number of employees	people	6,495	8,360	11,305
New employees	people	483	1,865	2,945
Proportion of female employees	/	47.07%	47.55%	47.29%
Labor contract coverage	/	100%	100%	100%
Social security coverage	/	100%	100%	100%
Legal training	event	1	2	4
Number of Legal Training Participants	people	100	650	1,447
Anti-money laundering workshop	event	270	471	610
Number of participants of anti-money laundering workshops	people	5,094	8,492	9,477
Public education input	thousand Yuan	220	360	370
Total number of public educational activities for the whole year	event	8	11	12
Number of participants of public educational events	thousand people	103.8	205.0	243.0

Society

Risk and Compliance

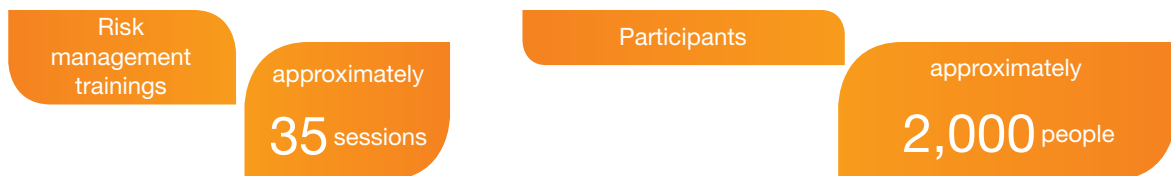
CZBank has been implementing sound risk management strategies. The ideologies of risk management and pre-emptive risk control have been incorporated into the whole operation process, with the focuses on the efficacy and strategic attribute of risk management and its compatibility with business operation. In the meantime, CZbank raises risk management awareness of the employees as well as establishes comprehensive risk management system which conforms with the full-asset class operation strategy.

Non-performing loan ratio in 2016 was **1.33%**
which is maintained a good standard among all the joint-equity commercial banks in China

Comprehensive Risk Management

CZBank implements the line risk management model by establishing risk control centers on vital business lines. We actively guide the business sections to control risks and improve the professionalism and efficiency of risk management. The board of supervisors has been assigned with the supervisory duties in integrated risk management, rigorously preventing systemic financial risks and protecting the legal rights and interests of the shareholders, employees, creditors and other parties of interest.

During the “13th Five-year Plan”, CZBank will develop an integrated risk management system which covers the six integrated elements of “risks, markets, businesses, institutions, staff and process”, based on the eight areas, namely the areas of “ideology, structure, process, mechanism, policies, regulations, systems and employees”.



Note: data collected up to the end of 2016

Policies for Managing Environmental and Social Risks of Supply Chain

In 2016, CZBank has rigorously controlled the environmental and social risks of the suppliers by requiring suppliers to comply with laws and regulations, particularly on environmental protection, recruitment and corporate morality, and seeking for suppliers who diligently fulfill their CSRs. The *CZBank Centralized Purchasing Management Plan (Pilot Programme)* was issued to regulate the management of our suppliers. Supplier databases were constructed respectively in the headquarter and branches. Supplier access and dynamic management mechanisms were also implemented. Suppliers have been recruited via public channels or recommended through responsible management departments, and were then incorporated in our database for management after receiving approval from the procurement office. In the meantime, the suppliers are graded and eventually ranked annually according to the multidimensional assessments in the areas of bidding, contract fulfillment and after-sales service jointly conducted by the procurement office, user department and the responsible management departments. The procurement office also periodically organizes dynamic case tracking and performance assessment of suppliers for effective risk avoidance.

Society

Internal Control and Compliance

Based on the core ideology of “safeguard the bottom lines and seek for development”, CZBank has been effectively implementing the “Three Lines of Defense” respectively, establishing and enhancing internal control and compliance systems in compatibility with development strategies, management models, business models, product features and risk conditions.

CZBank strictly complies with the *Anti-Money Laundering Law of PRC*, develop a long-lasting anti-bribery mechanism for business sectors, so as to combat and prevent corruption from the source. We formed a corporate culture which hold the responsibility for anti-corruption, solidly processing the works on regulating party's conduct and anti-corruption, so as to provide a strong discipline safeguard for maintaining a sustainable and healthy corporate development.

Rectification ratio of regulation inspection challenges	100%	Administrative investigation on money laundering (in collaboration with People's Bank of China)	54 events
Anti-money laundering trainings	610 sessions	Participants of anti-money laundering trainings	9,477 people
Legal trainings	4 sessions	Participants of legal trainings	1,447 people

Note: data collected up to the end of 2016

Anti-corruption and Anti-money Laundering Related Policies

Anti-corruption policies:

- CZBank Internal Informant Regulation (Trial)
- CZBank Party Member Disciplinary Regulation
- CZBank Party Organizations and Party Leaders Accountability Regulation



Anti-Money laundering policies:

- CZBank Anti-Money Laundering Management Regulation (2016)
- CZBank Block-Trade and Suspicious Trading Informant Regulation
- CZBank Regulation on Money Laundering and Terrorist Financing Risk Assessment, and Customer Money Laundering Risk Classification (2016)
- CZBank Product (Service) Money Laundering Risk Assessment Regulation (Trial)
- CZBank Anti-Money Laundering Risk Assessment Regulation (Trial)
- CZBank Regulation on Freezing Terrorism Related Asset

Society

Anti-money Laundering Mechanism



Internal control
regulations and
amendment



Technical guarantee



Staffing and
qualification

- CZBank has compiled and amended 7 anti-money laundering regulations.
- CZBank has improved functions of anti-money laundering system.
- CZBank has established an instant-update abnormal accounts database; and signed a cooperative agreement on overall information regarding abnormal accounts database with Dow Jones in July, 2016.
- An anti-money laundering management center staffed with 4 full-time anti-money laundering agents was established in CZBank.
- Each compliance department of branches is staffed with at least one full-time anti-money laundering agent, according to respective volume of business.

Performance in the Anti-money Laundering duty in 2016



Block trade and
suspicious trade
report



Tailored measures
for high-risk
business sectors



Anti-money
laundering publicity



Anti-money
laundering (AML)
workshops

- CZBank has reported over 720-thousand block trades and 5,159 suspicious trades, with 5,141 suspicious trades reported to PRC Anti-Money-Laundering Monitoring and Analyzing Center and 18 suspicious trades reported to local PBC branches.
- CZBank has conducted assessments on 126 current products (services) and 40 new products (services) regarding their risks of money laundering.
- Themed publicity event regarding the 10th anniversary of the issue of *Anti-Money Laundering (AML) Law*.
- A total of 261 anti-Money Laundering (AML) publicity events were carried on with approximately 180-thousand participants.
- An anti-money laundering expert from J.P. Morgan Chase & Co. (China) led a workshop on international anti-money laundering and money laundering risk management in October, 2016.
- An anti-money laundering expert from People's Bank of China led a workshop on money laundering risk management of commercial banks for anti-money laundering agents of CZBank in November, 2016.

Society

Customer Service

CZBank is dedicated to cultivating the best customer experience with its considerate customer service, developing itself into an integrated, streamlined and intellectualized smart bank and to satisfy the comprehensive financial needs of customers. With the unique advantage in internet financing, CZBank has been consistently enhancing the interaction with mainstream internet platforms, effectively improving and restructuring traditional financial businesses with information technology and supporting the innovation of financial products and channels with the internet technology. Besides, CZBank actively adjusts to the market changes bearing the duty of creating value for customers, satisfies promptly and effectively the dynamic and diverse needs of customers via product combination and product innovation; meanwhile increases investment into the physical branches, internet and other channels, strengthens staff training and improves service quality.

CZBank received no major customer complaints

CZBank has successfully prevented 4 attempted frauds

Note: data collected up to the end of 2016

Consumer rights

CZBank has been consistently strengthening consumer rights protection. We emphasize the protection of consumer assets and information by introducing a series of measures to improve the consumer protection mechanism; alert customers to avoid risks, uphold the consumer rights to know, resolve customer complaints and improve public awareness of the financial knowledge.

Key Customers Right Protection Measures in 2016



Management mechanisms and regulations improvement



Product and service information disclosure



Customer information management improvement



The internet and telecommunication fraud avoidance

- CZBank has adjusted the Customer Rights Protection Committee and the workgroup on customer rights protection.
- CZBank has compiled and amended policies such as the *Guidelines on Consumer Rights Protection Management* and the *Guide on Managing the Customers' Complaints*.
- CZBank has been strictly complying with the *Law of the People's Republic of PRC on Protection of Consumer Rights and Interests* in regarding of financial products and services, the promotional materials and events were all produced and organized legally. We have also been strictly conforming to the *Advertising Law of China* and fully disclosing the risks related to our products and services.
- CZBank adheres to the principle of integrity and provide realistic, accurate and comprehensive information of the products and services to customers in a timely manner.
- CZBank has been strictly complying with the requirements of laws and enhancing information security by taking effective measures to improve personal financial information protection.
- CZBank has been consistently enhancing information security, preventing information leakage in all stages including collection, transmission, processing, storage and utilization.
- CZBank has completed the internal corresponding system update of the transaction risk management platform for new types of illegal and criminal transactions, and completed the end-to-end docking with the police office system.
- The platform offers the Public Security Bureau the power to inquire, freeze and stop payments of crime related accounts in CZBank, as well as access to shared information of telecommunication fraud suspects.

Full Disclosure Measures of Product Related Information

- Clearly state the key information, major risks, and fees at eye-catching locations in the product specification in genuine and comprehensive manners.
- Before the customer confirms purchase of product, we conduct risk assessment and suitability tests, refer customers to purchase the product(s) in accordance with their risk tolerance level based on the test results.
- Disclose potential risks to the customers in person when introducing the product(s) to customers. Clearly inform the customer of the key aspects including nature of the products, forecast of the potential earning, risks and the holder of responsibilities. Require customers to transcribe the relevant acknowledgements into the purchase agreement.
- Promptly disclose information via texts, website, physical branches and other channels to ensure the customers receive product and service information in a timely manner.

Society

Credit Card Fraud Prevention



Relevant policy making

- *CZBank Credit Card Regulation.*
- *CZBank Personal Credit Card User Agreement.*



Consistent improvement on monitoring effectiveness

- Establish PRM Trade Fraud Detection System to achieve 24/7 real-time surveillance.
- Create and continuously improve surveillance regulation, promptly discover credit card frauds including credit card theft, forged credit card trades, malicious overdraft and group overdrafts.
- Establish the innovative online mid-transaction automatic payment suspension function
- Conduct dynamic customer evaluation and credit adjustment.



Effectively Enhance Anti-Fraud Abilities

- Establish high risk regulation, fortify the multilevel telecommunication verification process, focus on the prevention and control of fraud risks including fraudulent applications, forged identity and impersonation applications.
- Actively promote collaborations with third-party big data platforms. Improve risk control ability of customer credit.

Credit Card Risk Alert

- When the client applies for a credit card, clearly require the client to read all application materials including the *CZBank Credit Card Regulation* and the *CZBank Credit Card Reception Agreement* and transcribe the relevant risk acknowledgments into the application forms.
- In the obvious section of the Credit Card Reception Agreement, clearly state that the customer is the only one allowed to use the credit card and he/she must take good care of the credit card and vital information including the card information and pass code.
- In the obvious section of the Credit Card Reception Agreement, clearly state that if the credit card is lost or stolen, the customer should immediately report the situation to prevent financial loss.
- In the *Credit card instruction*, disclose effect and detriment to the cardholder's credit rating should the cardholder default in overdraft repayment, remind the cardholder to make sufficient payments on time.



Society

Product Experience

CZBank have been taking full advantage of the Internet technologies and ideas to create series of “Yongjin” pooling funding vehicles including the Bills Pool, the Asset Pool, the Export Pool, which help to create the “Enterprise Liquidity Service Bank” for the businesses and effectively liquidize the current assets such as the notes receivables, letter of credit and the cash receivables.

Company Products

9,452 customers signed to join the “Yongjin asset pool”, the pool gathered assets of over **467.699** billion Yuan

Diagram of the “Yongjin asset pool”



Personal Product

“Yongjin wallet” series products have been launched on the platforms such as Tencent Online Financing.

The product has serviced over **220,000** customers overall.

The product of “Zengjinbao” has **1.513** million customers and gained **334** million Yuan benefits to customers.

Note: data collected up to the end of 2016

Service Upgrade

CZBank has been thoroughly implementing the ideology of providing quality service, constantly improving its customer service competence in accordance with the need of business development; creating innovative internet banking channels to achieve comprehensive integration between physical branches and internet channels to achieve seamless full-process service, and providing fetch-up service for the special needs community; enhancing customer service staff management with multiple measures, optimizing the service procedure and complaint management systems and improving hardware and equipment in order to finally upgrade service efficiency.

Barrier-free accessible branches	120 branches	Branches with special needs service counters	90 branches
Revisited customers	928 people	Customer service center staff	95 people
Processed complaints	197 cases	Resolving rate of complaint	100%
Customer satisfaction 99.61%			

Note: data collected up to the end of 2016

Society

Financial Education

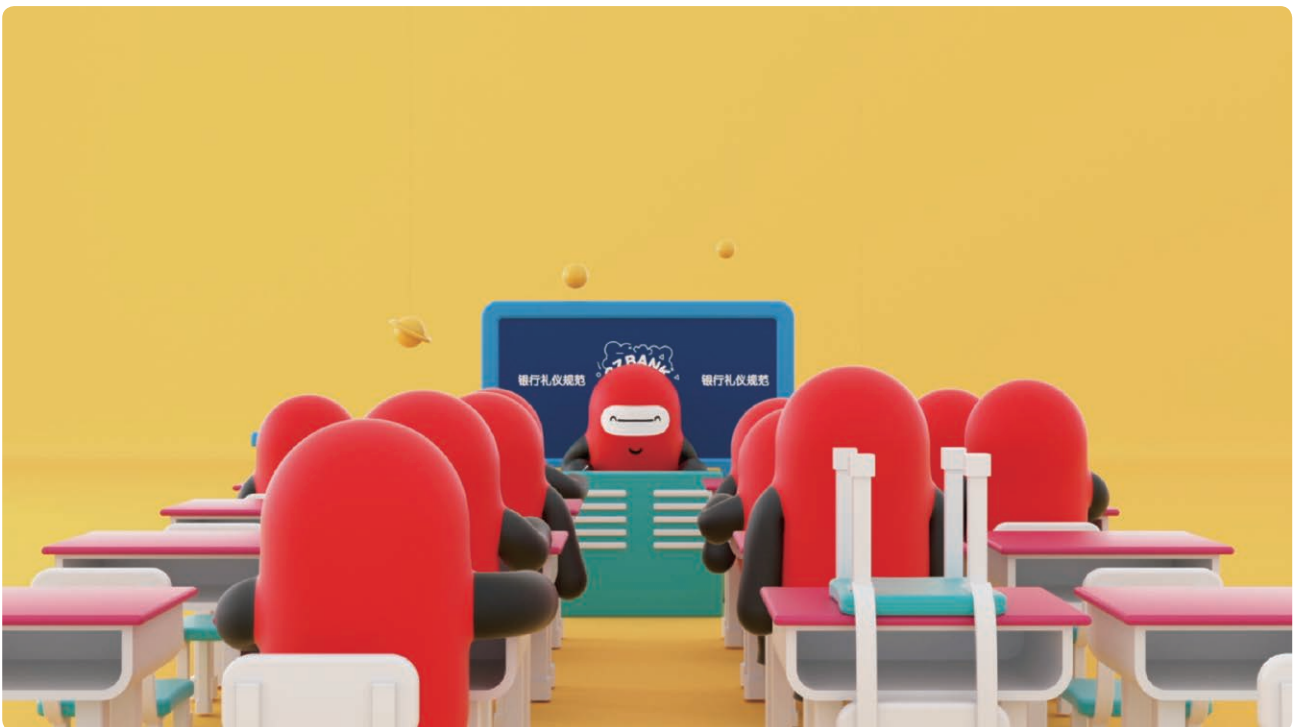
CZBank has organized various finance-themed events, including “Finance Knowledge for Everyone”, “Financial Education Month”, “Financial Knowledge Promotion” and etc. These activities aim at promoting consumers’ right awareness and improving consumers’ capability to safeguard their rights via the educational publicity in multiple channels including the physical branches, the CZBank’s official Wechat account and the website columns.

Public education funding	370,000 Yuan	Public education participants	243,000 people
Public education promotional text messages	1,294,000 text messages	Public education promotional materials	165,000 pieces

Note: data collected up to the end of 2016



- CZBank’s Safeguarding Financial Consumption Safety Event on the National Day for Consumers’ Rights and Interests (15th March). We have commenced 209 public promotional events, distributing over 10,753 pieces of materials, with over 18,720 consumers participated.



Society

Philanthropy

CZBank founded the “CZBank Charity Fund” to explore the establishment of a long-lasting charity mechanism: to making donations instead of opening ceremonies, and to actively participate in philanthropic activities including poverty-aids, disaster relieves, education-aids and volunteering.

Working with Zhejiang Minsheng TV and Zhejiang Dream-Come-True fund, the CZbank Rainbow Project has been conducted for five consecutive years.

Capital input on philanthropic programs	8,848,000 Yuan	Philanthropic programs	72 programs
Staff volunteers	4,110 people	Volunteer events	283 events
Poverty-aid funding – 1,340,000 Yuan			

Note: data collected up to the end of 2016

Philanthropic activities with newly-setup physical branches



Since its establishment, CZBank has been focusing on fulfilling of social responsibilities and donating all expenditures for opening and anniversary ceremonies to assist poverty students. *CZBank Promotion Management Rules* has expressly stated the detailed management rules on the opening ceremony and donations of branches.

In 2004, CZBank headquarter donated 5.28 million Yuan to the “Eyas take-off programme” to support a thousand students in poverty. The programme becomes a culture of our bank as donating to charity corresponding with the opening of a new branch. Now it gradually forms into a complete opening-donation system. Approximate statistics show that branches of CZBank has contributed over 16 million Yuan from opening and anniversary ceremonies to charity over the last 12 years.

2016 CZBank Rainbow Project



- Raised 2.73 million Yuan for charity, of which 0.8 million Yuan is contributed by CZBank.
- Managed to pair more than 600 students from rural mountainous districts with sponsors through CZBank urban-to-rural sponsorship pairing program.
- Helped Yuantian Primary School in Daliangshan, Sichuan sell agricultural products, raising 60,230 Yuan.
- Helped 14 schools in Gansu Province establish clean drinking water projects.
- Helped 30 towns and villages establish schools for left-behind children.
- Engaged over 60,000 participants in the “Walk shows love, donate with care” event.

Society

“Summer Breeze” – free drink activity

CZBank held the “Summer Breeze” activity in 20 cities including Beijing, Shenyang and Shanghai. Over 800,000 bottles of drinking water were presented to police officers, sanitation workers and other outdoor worker as well as the socially disadvantaged communities in the heat of summer in August, 2016.



Free drink for a bus driver



Free drinks for firemen

Poverty-aid projects for local communities

Representatives from the CZBank Chengdu Branch made visits to Dagang Village, Jinkou River, where the Jinkou River Poverty-Aids Project was held, raising 0.1 million Yuan to support education for children in poverty



浙商银行南京分行结对帮扶东海县房山镇兴谷小学贫困生仪
CZBank Nanjing Branch gave one-to-one pairing support for the primary school students from poor families from Zhenxing Valley, Fangshan, Donghai County



CZBank Shenyang Branch visited a poor family during the “the winter warmer” activity



Society

Staff Volunteering



Staff from CZBank Taizhou Branch visited the veterans



CZBank Shanghai Branch volunteers visited the Guangci Welfare for Disabled Children



Staff from CZBank Hengzhou Branch volunteers visited the solitary elderly



Staff from CZBank Chongqing Branch visited the veterans in Zhongxian, Chongqing



CZBank's Men's Basketball team participated in the public welfare activity of "Little Financier Parent-Child Party"



Society

Employee Management

Staff is the source of CZBank's development and value creation. We uphold the humanism ideology to fortify employee rights protection, actively support employees' self-improvement and care for the lives of the employees. Supporting the all-round development of staff in CZBank guarantees quality human resources to achieve full-asset class operation strategy and the "Two Most" goal.

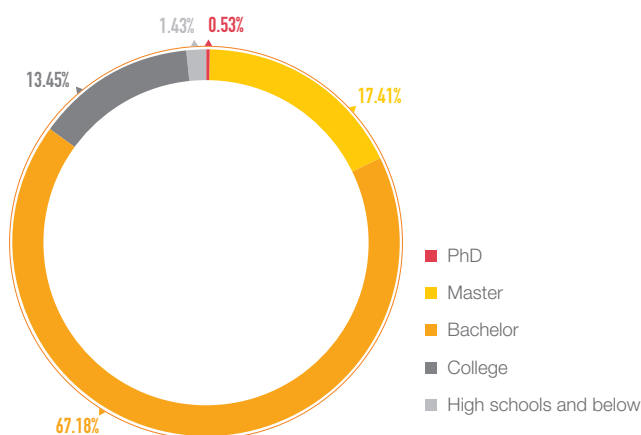
Employee Rights

Fair Employment

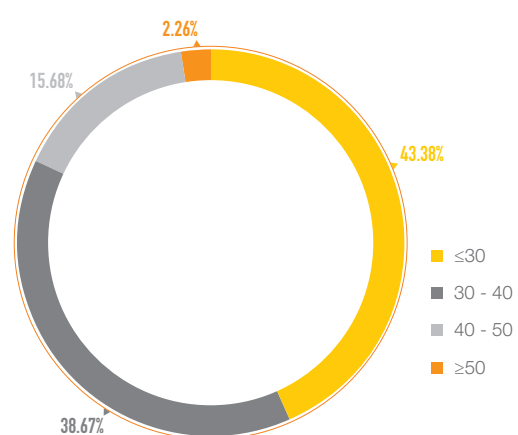
CZBank strictly conforms to the latest amended *Labor Law* and the *Labor Contracts Law of PRC*, always gives attention to the protection of employees' personal and legal interests, and consistently implement fair employment. CZBank conducts fair, open and transparent recruitment and termination in accordance with the *CZBank Labor Contract Trial Regulation (2016)*, recruits talents with diverse talents, advocates equal employment, applies same standards on pay scale, prevents child labor and combats employment prejudices and any form of forced labor so as to maximize protection of employees' labor rights.

Employees	11,305 people	Average age	Approx. 33 years old
Labor contract coverage	100%	Ratio of female employees	47.29%
Foreign employees	35 people	National Minority employees	146 people, 1.29%
Graduate recruits in CZBank Headquarter	195 people	Introduction of retired military service member	7 people

Distribution of Employee educational qualifications in 2016



Employee age group distribution 2016



Note: data collected up to the end of 2016

Society

Care for Female Employees

Consistent and periodical support and care activities are held in CZBank for female employees. Specific space for mothers and health examinations are designated. The harmonious working environment encourages female employees to advance their career development.



Zheng Qianru gained the title of Nationwide top 10 wealth management adviser



Salaries and Benefits

CZBank offers competitive salaries and benefits to employees by implementing the *Suggestions on Adjusting the CZBank Salary Scheme* and the *CZBank Employee Attendance and Vacation Management Guide (2016)*. Employee annuity plan was introduced to promote the reform of the salary scheme. These helped to optimize the social security scheme as well as improve employee satisfaction of salaries and benefits. In 2016, 100% of CZBank employees joined the social scheme of "Five Insurances and One Housing Fund".

CZBank has been upholding the principles of regularity, humanization and sustain to explore the development of a sustaining poverty employee aid scheme, issuing the *CZBank Employee Financial Aid Management Policy (Trial)* among other policies, developing a comprehensive database for the employees in need, keep track of their situation by making home visits and holiday visits, promptly offering supports to the employees in need. In 2016, CZBank held four home-visits to the employees in need.

The amended "Suggestion on Adjusting the CZBANK Compensation Scheme"

CZBank has implemented the *Suggestions on Adjusting the CZBank Compensation Scheme* since the 1st January 2016. Following the amendment, CZBank enters the initial phase of constructing a post-value-based market-oriented compensation system which is incorporated with the internal equality and external competition to form an employee-company joint development and compensation securities and incentives mechanism. The system holds strategic development as orientation, humanism as guide, marketization as principle and the Integrated Benchmarking Management as tool to upgrade the compensation and welfare of employees in order to provide quality human resources for achieving the "Two Most" goal.

Democratic Management System

CZBank gives high priority to the employees' democratic management, actively promote transparent administration, regularly organize employee representative conference, improve the employee complaints scheme, and protect the employees' rights to information, participation, supervision and expression. Employees' feedbacks are collected via multiple channels such as employee forums, questionnaires and service assessments, which pushes joint discussions on development strategies and the creation of a harmonious employment relationships. In 2016, 100% of CZBank branches formed the workers' unions; 100% of CZBank's employees have entered a union.



Society

Employee Development

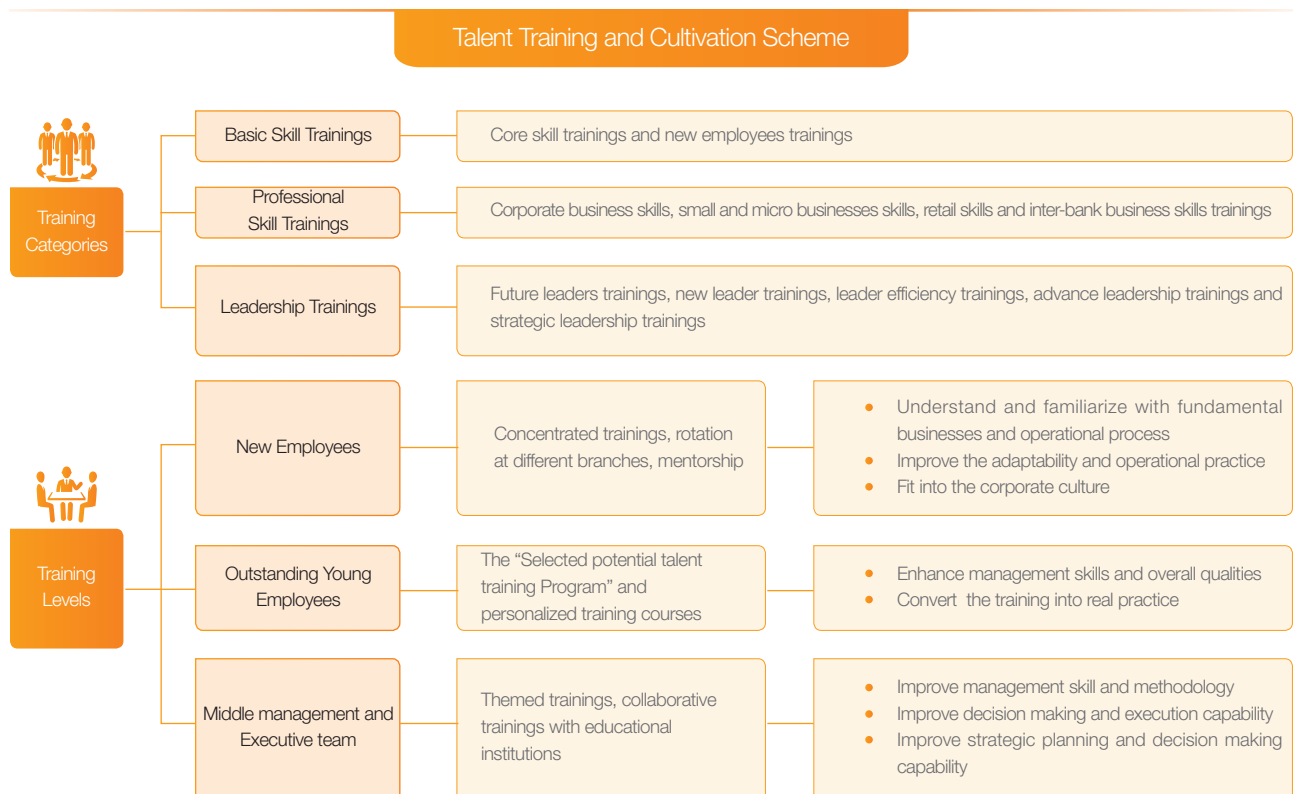
When it comes to human resources, CZBank assigns post according to the task, selects the right person against the post requirements and matching the right person with the right task. We always recruit and select people with both high moral standard and excellent skills, and assign people to the suitable posts. Career pathways include the promotion by positions and the promotion by salary bands. We have been building up a talent database, an internal communication platform for employee development, offering career counseling and a diverse and open platform for career development.

CZBank has been promoting the ideology of “career development by talent”, issued policies such as the *CZBank Part-Time Trainer Internal Position Provisional Regulation* and the *CZBank Graduate Hires Mentoring Scheme (2010)*, and been constantly exploring the development of a diverse training scheme for the whole bank.



Note: data collected up to the end of 2016

CZBank established the Zheyin University in February, 2016



Society

Employees were demonstrating posture



New employees' reading activity at the group reading gathering



CEIBS Executive Management Course - Executives actively engaging in discussion and exchanges



Health and Safety

We comply with the *Law on Prevention and Control of Occupational Diseases of PRC* and the *Measures for the Supervision and Administration of Employers' Occupational Health Surveillance*. Employees care and culture building activities have been carried out: Attentions have been given to both physical and mental health; Supports were provided for employees in need. Female employees' legal rights were assured, and cultural as well as entertainment activities were organized to relieve employees' stress. All of the activities ensured a happy working atmosphere and a healthy life style. We also have enacted the *CZBank Employee Safety Assurance Regulation* and the *Management Plan for CZBank Fire Safety (2016)* to provide a safe work environment and maintain the physical and mental health of our employees. In addition, we have set up an infirmary and a consultation service, conducted annual health check, given attentions to healthy diets, hold mental health lectures and organize routine work break exercises and outdoor walks.

100% employees received the health check

No occupational health issues reported

4 times of visits to employees from the Headquarter

Note: Data collected up to the end of 2016

Society

Employee guidance on a Work and Life balance

We comply with the requirements on the statutory work time and national holidays of China. CZBank has been paying high attentions to establish corporate culture and the balance between work and life. We constantly encourage our employees to engage in at least one kind of sports on a regular basis. We regular organized large-scale hiking, trailwalks and other activities have become indispensable components of CZBank. In 2016, CZBank held the first event of Fun Games.



Employees were playing fun games



CZBank TrailWalk Team walked through the ancient Huizhou-Hangzhou Trail

