

2017

Environmental, Social and
Governance Report



拥抱新时代

About the Report

China Zheshang Bank Co., Ltd. (“the Bank”, “China Zheshang Bank”, “CZBank” or “we”) released the 2017 Environmental, Social and Governance Report (“the Report”) according to the Bank’s environmental, social and governance performance.

Reporting time span

From 1 January 2017 to 31 December 2017. Occasionally some events reported are out of this period.

Covering organizations

Unless otherwise specified, this report covers the events of the Head Office as well as the branches of China Zheshang Bank.

Standard for preparation of the report

This report is prepared in accordance with the *Environmental, Social and Governance Reporting Guide* (“ESG Reporting Guide”) contained in Appendix 27 to the Rules Governing the Listing of Securities on Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Report has complied with the “comply or explain” provisions set out in the ESG Reporting Guide.

Release cycle: This is an annual report.

Data source: The financial data of this report are extracted from the audited CZBank 2017 Annual Report. Other data are gathered from our internal documents and relevant statistics. Part of the content and data are quoted from the previous years.

Available versions

The report has publishing versions in both Chinese and English. In case of any discrepancies between the two 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/>.

Place of maintenance of this report

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The Introduction



Chairman of China Zheshang Bank
Mr. Shen Renkang

Year 2017 is of milestone significance for the development of financial industry. The 19th National Congress of the Communist Party of China made an important judgment that the socialism with Chinese characteristics has entered a new era; the holding of National Financial Work Conference set the tone and pointed out the direction for development of China's financial industry in the coming five years; and the establishment of Financial Stability and Development Committee under the State Council indicates the comprehensive and strict upgrade of financial supervision. In face of the new market environment, CZBank closely adheres to the "Two Most" objectives and the full-asset class operation strategy. While better serving the real economy and supporting the improvement of people's livelihood, CZBank also continues promoting self-transformation and development, and undertaking greater responsibilities and more duties in advancing economic, social, environmental and sustainable development!

沈仁康

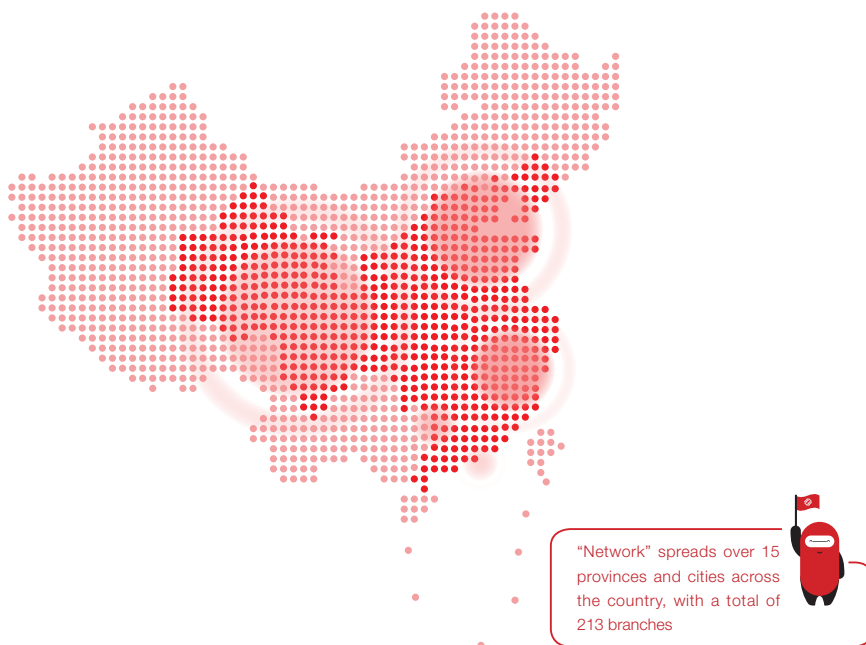


President of China Zheshang Bank
Mr. Liu Xiaochun

Confronted with the complicated situations such as deep change in global pattern, zigzag recovery of macro economy and in-depth adjustment of financial supervision in 2017, CZBank prejudged accurately and embraced sincerely such change, developed towards the "Two Most" objectives and the direction pointed by full-asset class operation strategy to meet new challenges and opportunities in an open and innovative attitude. Standing on the new starting point of the new era, we'll attach more importance to the development quality and efficiency, focus more attention on restructuring and risk control, and pay more attention to reform and innovation, in an attempt to making more contributions to sustainable economic and social development.

刘小春

The Introduction



Headquartered in Hangzhou, Zhejiang Province, CZBank is the only nationwide joint-stock commercial bank based in Zhejiang Province. CZBank was listed on the Hong Kong Stock Exchange on March 30, 2016, with the stock code of 02016.

As at the end of 2017, we've established 213 branch outlets among 15 provinces (municipalities) and Hong Kong Special Administrative Region, effectively covering the Yangtze River Delta, the Bohai Rim, the Pearl River Delta and certain areas in Midwestern China. CZBank ranked 131st in terms of tier-one capital and 109th in terms of total assets among the "Top 1000 World Banks 2017" released by the British magazine The Banker. China Chengxin International Credit Rating Co., Ltd. granted CZBank the highest AAA corporate credit rating in rating of financial institutions.

During the reporting period, we've actively practiced our social responsibility in the aspects of serving real economy, enhancing customer experience, expanding green finance, carrying out public welfare activities, supporting employee development, etc., innovated upon the practice modes, established the long-term mechanism, and achieved the coordinated sustainable development of CZBank in economy, society and environment.



"Two Most" Objectives

- To become the most competitive nationwide joint-stock commercial bank
- To become Zhejiang's most important financial platform



Full-asset Class Operation Strategy

- Transaction assets
- Investment assets
- Credit assets
- Inter-bank assets



Social Responsibility Management

Ideology of Responsibility

Ideology of CZBank's social responsibility work: Correctly deal with the relationship between self-development and external environment, insist on the essential requirements on finance serving the real economy, vigorously carry out green finance, inclusive finance and scientific finance services, conduct compliant operations according to law, strengthen protection of consumer rights and interests, boost construction of ecological civilization, fulfill effectively the corporate social responsibility, and actively build up the excellent corporate citizenship image.

Management Practice

We've actively promoted the construction of social responsibility capacity throughout the Bank to enhance the awareness of performing social responsibility. In 2017, the Bank held 109 trainings about social responsibility, covering the total trainees of 4,368.





Economy

Catering for the diversified financial needs under the supply-side structural reform and the conversion of economic growth momentum, CZBank took the initiative to serve the national key strategies and major projects, actively innovated the service modes, optimized the credit investment directions, continually improved the financial supply quality, and took a series of measures to “maintain economic growth, promote restructuring and improve people’s livelihood”, thereby creating a new financial momentum for economic and social development.

Indicators		Unit	2015	2016	2017
Economic Performance	Total assets	billion Yuan	1,031.650	1,354.855	1,536.752
	Operating income	billion Yuan	25.130	33.653	34.264
	Profit before income tax	billion Yuan	9.380	13.392	13.707
	Net profit attributable to shareholders of the Bank	billion Yuan	7.051	10.153	10.950
	Return on average total assets	/	0.83%	0.85%	0.76%
	Allowance to non-performing loans	/	240.83%	259.33%	296.94%
	Capital adequacy ratio	/	11.04%	11.79%	12.21%
	Equity attributable to shareholders of the Bank	billion Yuan	49.657	67.475	88.195
	Return on average equity	/	17.03%	17.34%	14.64%
	Customer deposits	billion Yuan	516.026	736.244	860.619
	Balance of non-performing loans	billion Yuan	4.233	6.102	7.767
	Ratio of non-performing loans	/	1.23%	1.33%	1.15%
	International RMB businesses	billion Yuan	89.5	70.7	44.9
	Total amount of international business settlement	USD billion	28.600	44.400	66.700
	Total loans to national-standard small and micro enterprises	billion Yuan	211.963	625.471	785.208
	Balance of national-standard small and micro enterprises loans	billion Yuan	107.415	143.630	182.205
	Ratio of national-standard small and micro enterprises loans in overall balance of loans	/	31.03%	31.23%	27.06%
	Number of national-standard small and micro enterprises accounts	accounts	47,160	62,015	71,532
	Balance of agriculture-related loans	billion Yuan	65.487	86.992	104.381
	Loan balance on government-subsidised housing	billion Yuan	1.066	2.447	1.474
	Loan balance for the support of traditional industries	billion Yuan	54.225	73.728	97.516
	Year-on-year growth ratio of loans issued in support of traditional industries	/	19.84%	22.84%	58.54%
	Loan balance for the support of strategic emerging industries	billion Yuan	13.533	25.455	42.031
	Year-on-year growth ratio of loans issued in support of strategic emerging industries	/	142.72%	11.28%	68.99%

Serving National Strategy

We took the initiative to support the national strategies such as supply-side structural reform, “capacity reduction, destocking, deleveraging, cost reduction and improving underdeveloped areas”, “One Belt One Road” and enterprise “Going Out”, provided comprehensive financial service solutions for real economy by virtue of the three platforms of “pooled financing”, “Yiqiyin” and “accounts receivable chain”, mobilized the corporate liquid assets, and helped with deleveraging, cost reduction and efficiency improvement.

As at the end of 2017

the “Yongjin” series pooled products achieved
the total pooled assets of RMB

969.947 billion

saving the interest expenditure of RMB

1.694 billion for customers



The State Media Group went to Tasly Holding Group Co., Ltd. for investigating bank-enterprise cooperation, and the Company achieved deleveraging and cost reduction by virtue of CZBank's platform of “accounts receivable chain”



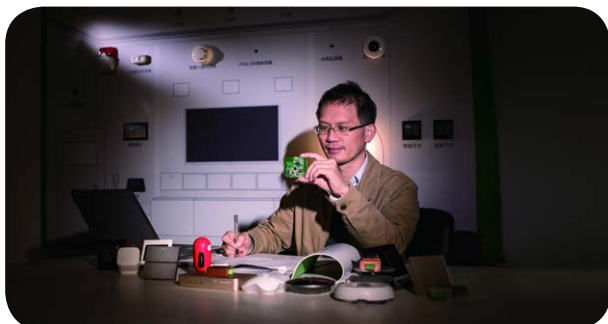
On 23 September 2017, the 2017 • Jingshan Report, which was sponsored by China Finance 40 Forum (CF40) and exclusively supported by CZBank, was announced in Hangzhou. Based on the topics of RMB exchange rate reform, cross-border capital flow in China, financial support of “One Belt One Road”, etc., the Report analyzed development history, current situations and problems of the financial opening-up policy in nearly 40 years, and proposed relevant policies and suggestions, which have provided powerful support for research of Chinese economic policies and constriction of China's financial think tank

Inclusive Financial Services

We brought into full play the benchmarking advantages of small and micro finance, continuously provided the inclusive financial services, devoted actively to the fields of small and micro finance, finance, etc., and brought the benefits of finance to thousands of households, thereby making contributions to overcoming “unbalanced and insufficient” financial demand structure. As at the end of 2017, the Company provided credit services to more than 160,000 small and micro customers and granted total loans of more than RMB600 billion, with the ratio of national-standard small and micro loan balance ranking the forefront among the nationwide joint-stock commercial banks.



On December 18, 2017, CZBank announced the establishment of Inclusive Finance Business Department to build the inclusive finance operation and management system from top to bottom, so as to lower down the business focus, transfer the examination & approval authority to a lower level, and serve the real economy better



Mr. Yang, an engineer, succeeded in middle-aged transformation and developed intelligent home under the support of CZBank's Easy Loan

We've actively implemented the policy of "Innovation and Entrepreneurship Program", innovated the service process, alleviated burdens and reduced costs by using "Internet" and "big data" technologies, so as to serve small and micro enterprises efficiently and endeavor to expand the entrepreneurship and innovation ecosystem. As at the end of 2017, we've set 133 specialized service outlets for small enterprises, with 25 new outlets increased in the year, and employed more than 1,000 professional team members; the balance of national-standard small and micro enterprise loans of the Company was RMB182.205 billion, accounting for 27.06% of the total various loans of the corresponding period.

We've innovated the products and services related to "Agriculture, Rural Areas and Farmers" by combining self-positioning, attached importance to supporting rural business entities and pursued support of agriculture by industry on the basis of meeting the rural funding requirements, in an effort to providing differentiated services for "Agriculture, Rural Areas and Farmers". As at the end of 2017, balance of the agriculture-related loans was RMB104.381 billion, representing an increase of RMB17.422 billion by 20.03% as compared to the beginning of the year; wherein, balance of loans to rural enterprises and various organizations was RMB86.322 billion, balance of loans to farmers was RMB6.685 billion, balance of agriculture-related loans to urban enterprises and various organizations was RMB10.387 billion, and balance of loans to non-farmer individual agriculture, forestry, animal husbandry and fishery industry entities was RMB0.988 billion.



Xu Xinhan, a man of the "post-80s generation", became a "modern" farmer after graduation. He established Hangzhou Sanyeqing Agricultural Science and Technology Co., Ltd., and succeed in planting the first batch of radix tetraglomis seedlings under the great support of CZBank's Dream-Coming-True Entrepreneurship Loan

We've established the Financial Poverty Alleviation Leading Group, insisted on the four working principles of "targeted support, training of practical skills, business sustainability and innovative development", provided systematic solutions from the aspects of poverty prevention, poverty alleviation and avoiding return to poverty, and explored into the "hematopoietic" targeted poverty alleviation. As at the end of 2017, balance of the financial targeted poverty alleviation loans of the Company was RMB74.6923 million, with the loan to the population that already alleviated from poverty being RMB82.0636 million.



CZBank Chengdu Branch carried out "one to one" paired poverty alleviation in Jinkouhe District, Leshan



Wang Changshan, an employee of CZBank Lanzhou Branch, took the initiative to carry out targeted poverty alleviation in Cairima Village

Supporting Industrial Transformation

We've actively cultivated the growth of emerging industries, set up professional teams for the five emerging industries of information, new energy, health, culture and modern logistics, and established banking-leasing linkage and bank-enterprise cooperation, so as to provide enterprises with comprehensive financial service solutions including creditor's rights financing, equity financing and liquidity service. As at the end of 2017, balance of loans to the emerging industries was approximately RMB54.465 billion.

We were the first in the industry to launch the intelligent manufacturing financial solutions featured by "financing capitals, goods and services", and built the first "intelligent manufacturing service bank" in the industry. As at the end of 2017, we've provided financing support for more than 1,700 intelligent manufacturing enterprises, of which the balance of financing for high-end equipment and system integrators and intelligent transformation enterprises reached RMB39.624 billion. We endeavor to support the real economy transformation and upgrade via financial intelligence.

As at the end of 2017

more than **1,700**
intelligent manufacturing enterprises

intelligent transformation enterprises reached RMB

39.624 billion

浙江省智能制造专家委员会 浙商银行股份有限公司 战略合作



CZBank formally launched the first "intelligent manufacturing service bank" in the industry at the first Qiantangjiang Forum on December 16, 2017



CZBank innovatively provides the performance witness service to help a hundred bearing enterprises implement the transformation plan



The customized energy management contract program injects vitality to high-tech electromagnetic bearing enterprises



Environment

CZBank has strictly implemented the Guidelines for Construction of Green Financial System issued by the Central Government, firmly built up and actively practiced the green finance philosophy, promoted self-restructuring and development system transformation, constructed the green financial system, innovated green products and services, developed green credit and saved social resources. CZBank has also brought into full play the guiding and boosting role of financial resources allocation in economic transformation and upgrade, attached importance to achieving coordination of business development and environmental protection, and made unremitting efforts to construct a green bank.

	Indicators	Unit	2015	2016	2017
Environmental Performance	Loan balance on the account of green projects	billion Yuan	0.547	0.663	3.626
	Loan balance on the account “two-high-and-one excessive” industries	billion Yuan	17.506	24.081	28.763
	Ratio of loans for “two-high-and-one excessive” industries over balance of total loans	/	5.00%	5.24%	4.27%
	Number of e-banking transactions	10,000 transactions	—	—	7,316.81
	Ratio of e-business over total business	/	95.37%	95.91%	96.95%
	Electronic reconciliation rate of credit card bills	/	100%	100%	100%
	Number of corporate e-banking transactions	10,000 transactions	217.47	340.80	678.37
	Number of environmental protection trainings	time	10	3	27
	Number of public welfare activities organized or participating in	time	22	41	130
	Number of employees participating in public welfare activities	person-time	1,297	3,905	2,049
	Input capital for environmental protection welfare	10,000 Yuan	45.85	102.1	39.2
	Total office water consumption (Head Office)	ton	37,220	32,653	38,186
	Office water consumption density	ton/person	—	—	20.2
	Total office electricity consumption (Head Office)	kwh	5,981,245	5,607,079	5,568,913
	Equivalent CO ₂ emissions	ton	4,207.81	3,944.58	3,917.73
	Office electricity consumption density	kwh/person	—	—	2,946.51
	Total corporate car fuel consumption (Head Office)	liter	50,411	45,603	47,568
	Equivalent CO ₂ emissions	ton	119.76	108.34	113.01
	Corporate car fuel consumption density	liter/vehicle	—	—	932.71
	Total office paper consumption (Head Office)	sheet	54,240	72,000	182,500
	Equivalent CO ₂ emissions	ton	0.26	0.33	0.87
	Total paper consumption saved by credit card (save water consumption by electronic ban statements and online handling of credit cards)	sheet	—	—	6,601,785
	Equivalent CO ₂ emission reduction	ton	—	—	31.56
	Total recycled waste paper	ton	—	—	7.01
	Ratio of video conferences to total number of meetings held	/	85%	79%	88%



Green Policy

We offer oriented support for green enterprises and projects by formulating differentiated green credit policy, focus on deploying and promote orderly the green finance work, determine the green finance work priorities of “providing green financial products”, “expanding green service modes” and “building a green bank”, popularize the excellent practices in green finance sector, proactively improve the green supervision policy system, and intensify the common sense of green finance development.

As at the end of 2017

the Bank has achieved a green credit balance of RMB

3.6 billion

with an increase of

4.42 times over the previous year

Green Policy System

Formulate the *Guiding Opinions of CZBank on Green Finance*, *Financial Service Solutions for Residential Rooftop Photovoltaic Power Station* and *Basic Policy of CZBank for Management of Customer Financing Risks in 2017-2018*, and research to draft the *Green Finance Implementation Outline of CZBank*.

Make active efforts to cover relevant green finance indicators into the comprehensive performance evaluation and appraisal system, and increase the indicator of green credit increment into the management perspective of comprehensive performance evaluation system of branches; from the strategic perspective of appraisal system, set the indicators of emerging business products and corporate liquidity service products.

Clearly encourage and support the 9 fields including clean energy, energy conservation and emission reduction, recycling, etc.; clearly impose strict controls over 5 kinds of customers and projects that should be avoided, including those failing to meet the environmental protection standards, violating environmental laws and regulations, or suffering from high environmental and social risks, etc.

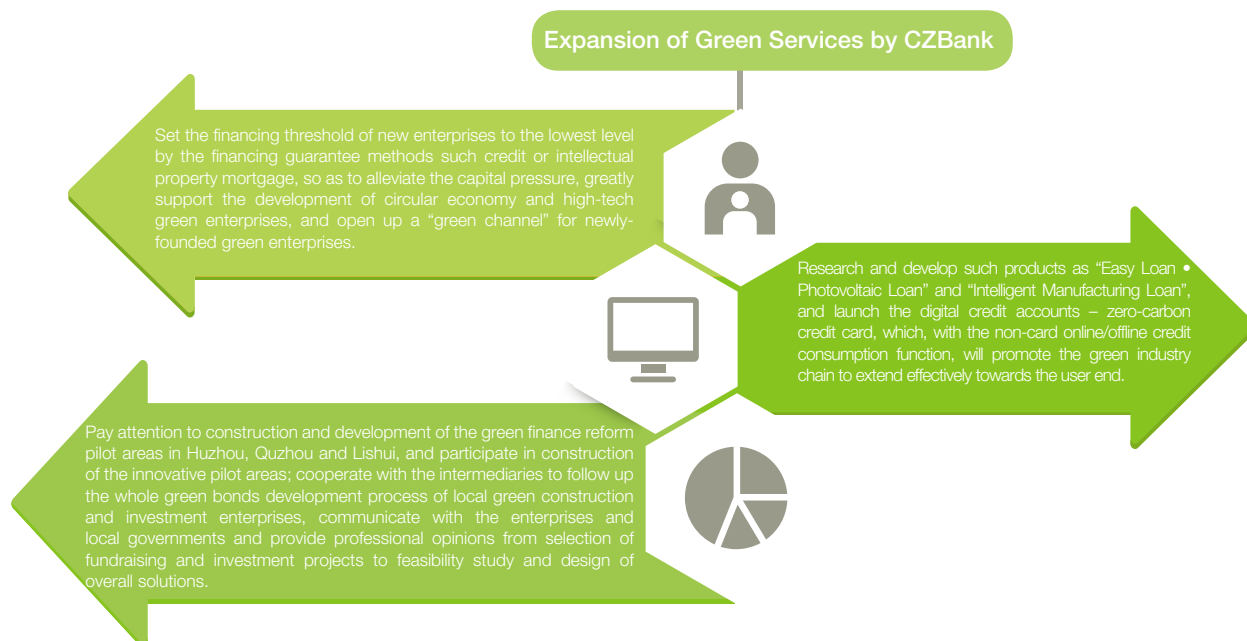
Continuously strengthen communication with supervisory authorities and inter-bank exchange, and positively participate in the formulation process of supervisory policy, and carried out 9 supportive works such as visit and investigation in 2017.





Green Service

We've continuously innovated upon the green finance products and services, opened up a "green channel" for newly-founded green enterprises, and used the capital market to enrich the green industry financing channels. We actively focused on the construction of green finance reform pilot areas in Huzhou and Quzhou, reduced customer operation and energy consumption costs by using financial technologies, imposing strict credit controls on the "two-high-and-one excessive" industries, supported green industries such as energy conservation, environmental protection, clean energy and new energy vehicles, etc., and continually promoted the green finance strategy.



Grant "Easy Loan • Photovoltaic Loan" in batches to farmers by means of supply chain finance, and support the rooftop photovoltaic engineering for a million households



Present zero-carbon credit cards, featured by low-carbon environmental protection, quick application, convenient payment, etc., to support the development of "carbon finance"





Green Operations

We persist in the “green” concept throughout the whole business operation and management process, restructure products, services and management systems by virtue of scientific finance, attach importance to creating a green office environment, carry out environmental protection training and public welfare, give priority to choosing green suppliers, try to reduce carbon emissions, closely combine our own efforts with the common actions of our employees, customers, external service providers and the social public, and endeavor to fulfill the green operation objectives with a strong sense of social responsibility.

As a financial service enterprise, we don't discharge any sewage into water or soil directly during our operation process, and we almost don't use any packaging materials while providing services. We internally adopt wastes recycling and garbage classification management, wherein: The harmless wastes produced during our operations mainly include office paper, packing boxes, etc., which will be treated by recyclers. In 2017, totally 7.01 tons of waste paper was recycled in the Head Office; the harmful wastes mainly include toner cartridges, used computers, used and scrapped batteries, etc. generated from office work, wherein: the used computers and accessories are donated to schools in Chengdu, Nanjing and Xiaoshan to support teaching work there, while the damaged electronic products and accessories are submitted to a qualified third-party professional company for recycling.

Our greenhouse gas emissions are mainly generated in the daily office process, such as office consumption of electricity, paper and corporate cars. We try to reduce carbon emissions by promoting paperless office work and using energy-saving and environment-friendly equipment.

Creating a green office environment

- Use recycled paper throughout the Bank, make environment-friendly business car, and choose uniforms with recycled materials
- Reduce the use of disposable goods, advocate the “clear your plate” campaign, and paste energy-saving labels in the Head Office buildings such as “Save water”, “Turn off the light”, “Energy-saving and environment-friendly”, “Temperature control of air conditioners”, etc.
- Use peak and off-peak electricity, and strictly comply with the provisions for min. and max. temperature of air conditioners during summers and winters
- Encourage employees to travel with public transportation or walk to destinations

Carrying out environmental protection design and decoration

- Use the finished decoration materials, cancel field painting, glue or other materials, use the E0 class standard building materials with the formaldehyde emission less than 0.5 mg/l, and explore into environment-friendly decoration materials such as microlite
- Install new energy-saving and environment-friendly equipment, such as Daikin water-loop multi-split air conditioning system (using R410A new environment-friendly refrigerant, without damaging the ozonosphere), new type of energy-saving cooling tower (with the water circulation rate up to 99.99%), runner heat recovery fresh air unit and total heat exchanger (with the heat recovery efficiency more than 60% under the refrigerating and heating conditions), high-efficiency boilers (with the rated thermal efficiency higher than 92%, and Ringelman smoke blackness less than level 1), environmental protection and energy-saving LED lamps, etc.

Building a green operation system

- Apply new technologies such as “electronic seal, electronic voucher, and electronic signature”
- Introduce the intelligent technical application system solutions for software and hardware in outlets, and replace traditional manual operation process with “digital process”
- Advocate paperless office work: set up video conference system in all branches of the Bank; use and continually improve the online office management system throughout the Bank

Implementing green procurement

- Revise the *CZBank Centralized Procurement Management Measures (Trial)* and *CZBank Operating Procedures for Centralized Procurement (Trial)*, and develop the “CZBank centralized procurement management system”
- Reduce procurement cost by adopting centralized procurement of the Head Office and branches, electronic review, etc.
- Take the environmental management certification as one of the criteria for bid evaluation of the suppliers
- Try to use green, circular, low-carbon and environment-friendly materials and manufacturing processes as much as possible in purchasing various goods and services, and give priority to choosing green suppliers
- In 2017, we totally saved the procurement cost of RMB311 million, with the cost saving rate of 24.7%



As at the end of 2017

about RMB
392,000
investing in the public
welfare activities

We've also carried out
27 environmental
protection trainings

17 green
office publicity
activities

totally **130** public
welfare activities
for environmental
protection such
as planting trees,
cleaning up
waterways, etc.

with **2,049**
employees
participating

the ratio of our
transactions by
e-channel has
reached
96.95%



The new type green and environment-friendly decoration materials — microlite have been used in 110 outlets



CZBank Beijing Branch participated in the "Earth Station" public welfare program, to popularize the environmental protection philosophy of circular economy, garbage reduction and recycling



Many outlets of CZBank Hangzhou Branch carried out the river patrolling activities focusing on "sewage, flood, water logging, water supply and water saving", and voluntary employees cleared away garbage in the river in their spare time



270 employees of CZBank Chongqing Branch and Chengdu Branch carried out voluntary tree planting activities respectively in Yueming Mountain, Jiangbei District, Chongqing and in Baitiao River, Pidu District, Chengdu



Society

CZBank has persisted in the philosophy of “originating from the society and repaying the society”. While focusing on self-development, we’ve never forgotten repaying the society, and actively participated in public welfare activities for support of cultural and educational development, post-disaster aid and construction, assistance of disadvantaged groups, etc.

		Indicators	Unit	2015	2016	2017
Social Performance		Customer satisfaction	/	99.52%	99.61%	99.81%
		Resolving rate of online customer complaints (problems)	/	100%	100%	100%
		Number of resolved customer complaints	case	17	162	114
		Total public welfare donation expenditure	10,000 Yuan	456.42	884.80	636.19
		Total sum of poverty-aid for the whole year	10,000 Yuan	128.99	134	289.1
		Overall duration of volunteer work	hour	2,127	5,632	9,635
		Number of public welfare projects	Project	51	72	271
		Number of beneficiaries from the public welfare projects	person	5,725	50,858	67,224
		Number of training sessions for employees	session	1,235	1,544	2,165
		Number of employees trained	person-time	125,370	141,629	166,231
		Total training expenditure	10,000 Yuan	2,530.6	3,690	4,325.3
		Number of CSR trainings	time	1	16	109
		Total number of CSR training participants	person	162	1,501	4,368
		CSR capital input	10,000 Yuan	18	72.9	82
		Total number of employees	person	8,360	11,305	13,214
		New employees	person	1,865	2,945	2,970
		Proportion of female employees	/	47.55%	47.29%	47.4%
		Labor contract coverage	/	100%	100%	100%
		Social insurance coverage	/	100%	100%	100%
		Number of participants in anti-money laundering training	person-time	8,492	9,477	13,444
		Public education service input	10,000 Yuan	36	37	511
		Total number of public education activities for the whole year	time	11	12	1,063
		Number of participants of public education events	10,000 person-times	20.50	24.30	156

Risk and Compliance

We’ve actively implemented the laws and regulations such as the *Company Law of the People’s Republic of China*, the *Advertising Law of the People’s Republic of China*, the *Trademark Law of the People’s Republic of China* and the *Anti-Money Laundering Law of the People’s Republic of China*, integrated internal control & compliance, risk management & control with business development systematically, and cultivated compliance as a kind of operation capability. As at the end of 2017, we’ve carried out 112 times of compliance education, having attracted 39,079 participants.

Safeguarding the Risk Bottom Line

We've insisted on the operation risk philosophy of safeguarding the bottom line and returning to the ultimate source, attached importance to prevention of market risk, legal risk, operational risk and other risks in key fields, promoted the standardized construction of rules and systems, strengthened social and environmental risk review of suppliers, timely explored into the market to master risk conditions, shared risk policies and cases of capital market, and improved the all-round risk management system. As at the end of 2017, the supplier review coverage was 100%, and the non-performing loan ratio was 1.15%, with the quality of assets maintaining a good level among all the joint-stock commercial banks in China.

Internal Control and Compliance

Based on internal control and compliance, we've established and enhanced the internal control and compliance systems in compatibility with our own development strategies, management models, business scale, product features and risk conditions, so as to lay a solid foundation and promote the steady and sustainable development. In 2017, we formulated the Special Action Plan (2017-2019) for "Protection with Internal Control and Safeguarding with Compliance", which is divided into three steps: "2017 is the year of standardization focusing on checking and making up the deficiencies; 2018 is the year of improvement focusing on reinforcement and improvement; 2019 is the year of deepening focus on intensive cultivation". As at the end of 2017, we've carried out a total of 409 anti-money laundering publicity events, with the anti-money laundering training covering 13,444 people; carried out 3 anti-corruption and integrity trainings, and sent 490,000 times of "Appreciation of Integrity Quotes" for warning education by short message.

Anti-money Laundering Mechanism

System construction	Complete large-scale system optimization and upgrade for 3 times, and optimize more than 20 monitoring models and rules such as telecom and Internet fraud, illegal fundraising, etc.
Risk warning	Issue 7 sessions of risk warnings for money laundering risk points, compile and distribute 4 sessions of typical anti-money laundering cases
Investigation intensity	Organize the "special action for cracking down on illegal fundraising and illegal private bank", "specific investigation of investment risk transactions via network platform" and checking of terrorism-related accounts in Xinjiang Conduct 22 financial sanction risk investigations
Carrying out publicity events	Carry out a total of 400 anti-money laundering publicity events were carried on with approximately 300,000 participants
Strengthening training	Organize 575 anti-money laundering trainings with 13,400 participants

Anti-Commercial Bribery Mechanism

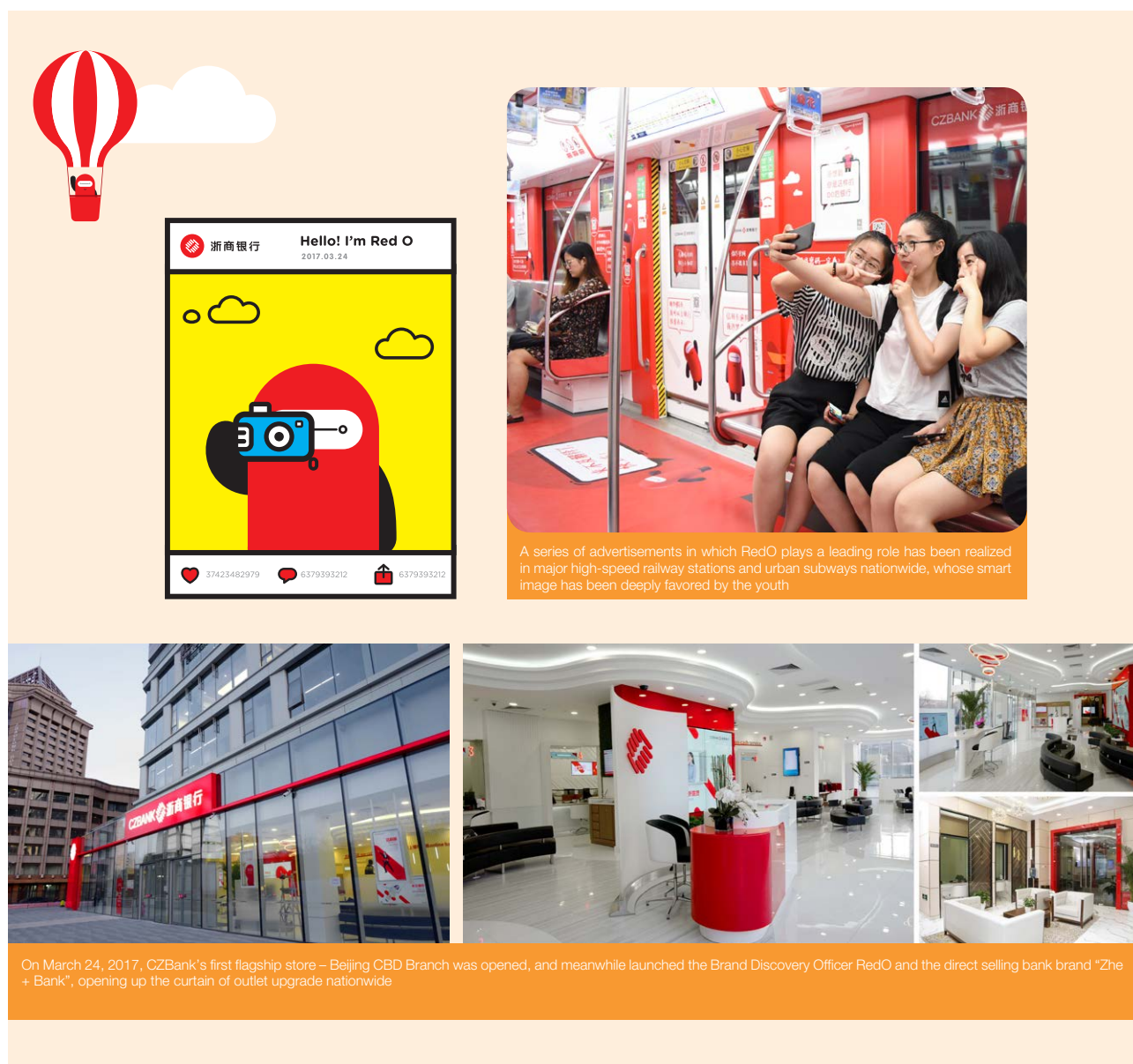


Customer Service

Based on the service philosophy of “customer first”, we’ve endeavored to enhance quality and optimize customer experience by virtue of financial science and technology, actively built up an integrated, streamlined and intellectualized smart bank and to satisfy the comprehensive financial needs of customers, and made financial contributions in order to meet the increasing demand of people for a happy life.

Enriching Channel Construction

We’ve initiated the outlet upgrade project nationwide, and built the offline outlets into a place with “caring and love” where the customers “would like to go”; continuously enhanced the online financial service capability, and establish the online and offline interactive channel system by means of online banking, mobile banking, direct selling bank and mobile integrated terminal. As at the end of 2017, we’ve established 213 branch outlets among 15 provinces (municipalities) and Hong Kong Special Administrative Region, which completed 73.1681 million e-banking transactions and 26.7462 million internet banking transactions.



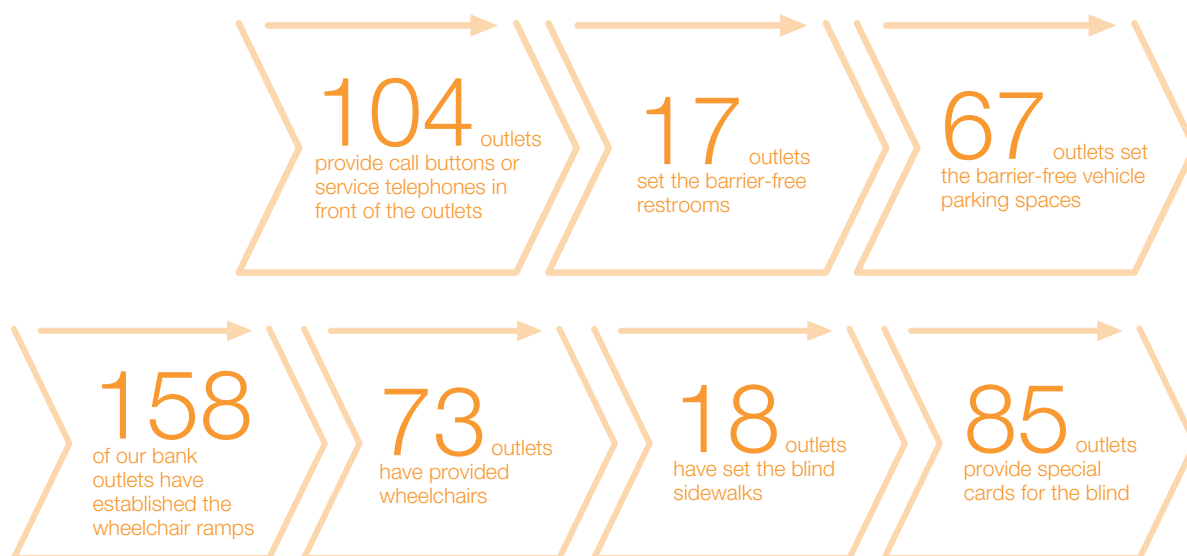
Enhancing Customer Service

We've established the customer experience design team to deeply observe customer demands, strengthen service supervision, continually improve service details and service process from the perspective customers, protect customer rights and interests, take the initiative to care about financial service needs of the disadvantaged groups, and strengthen concern of customers through expanded services. In 2017, 10 institutions including CZBank Beijing Wufang Branch were honored as 2017 "five-star" outlets for civilized and standardized services in the banking industry of China. As of now, the Bank has totally 18 five-star outlets, accounting for 9% of the total number of outlets, 7.5 percentage points higher than the average number of the banking industry in China.



Building up star-level outlets to help upgrade the service brand

As at the end of 2017



Our employee instructing the customer to experience the "future bank" by virtual reality (VR) technology



Promote customer's experience through delivering financial products to the door

Protecting Customer Rights and Interests

We persist on maintaining the legitimate rights of financial consumers, take positive measures to prevent telecom frauds, pay attention to protecting the customer property security and information security, respect the consumers' right to know, innovated the "21 standard methods" for review of the consumer rights protection, continued strengthening the consumer rights protection work, and enhanced the right-protection awareness and ability of consumers.

Protection Measures for Customer Property Information

Credit card risk management

- Completely sketch the stereoscopic image of customers, and attach importance to risk management in all links of the whole lifecycle of credit cards
- Provide 7*24 hour butler services, allow the customers to adjust upwards or downwards within the maximum line of credit, or enable one-key card locking function to protect the security of accounts

Risk management of financial products

- Building the product information inquiry platform
- Classify risks for the financial products, and sell products according to risk appetite, risk recognition and risk tolerance of customers
- Set a special sales zone in the business outlets, and announce the whistle-blowing phone
- Fully record relevant risks, key information prompts, transaction confirmations and feedbacks by consumers and other key links in sales process of financial and commissioned products

Account information security management

- Formulate the *CZBank Administrative Measures for Protection of Individual Financial Information* and *CZBank Score Deducting Standards for Internal Control Violations of Employees*
- Establish the internal data request system
- When clients' collecting credit cards, enter into with them *CZBank Personal Credit Card User Agreement*
- Formulate and distribute the *Risk Warnings for Strengthening Customer Information Confidentiality*
- While carrying out commissioned business, require the agencies keep the customer information properly

Product advertising management

- Formulate five systems related to publicity advertising including *CZBank Brand Management Measures*, *CZBank Implementation Rules for Advertising Management* etc.
- Require the whole bank abide by relevant Chinese laws and regulations related to advertising, trademark, intellectual property rights, etc., ensure the information contained in the ads is authentic and accurate, and such information must not infringe the third-party rights and interests and must not use pictures or words without legal copyright for commercial propaganda

We've actively improved the customer complaints handling mechanism and established a systematic and scientific customer service management system to enhance the response speed in handling complaints; developed the management mechanism subject to full-process management of customer complaint handling, customer satisfaction review, complaint system improvement, etc. improved the communication channels, listened carefully and accepted customer requests, so as to enhance customer satisfaction. As at the end of 2017, CZBank has received no major customer complaints or public sentiments about operations and services, achieved the resolving rate of online customer complaints by 100%, and the customer satisfaction rate of 99.81%.

As at the end of 2017



achieved the resolving
rate of online customer
complaints by

100%



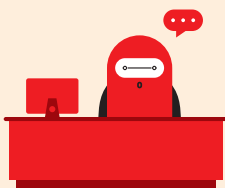
the customer satisfaction rate of

99.81%

Financial Education

We've carried out popularization and promotion of financial knowledge to the public, organized various finance-themed events, including "Finance Knowledge for Everyone", "Financial Knowledge Promotion Week", etc., with an aim to enhance the financial awareness and quality of the public by wide popularization via online and offline channels. As at the end of 2017, CZBank has organized and carried out more than 1,000 financial knowledge popularization and education events, attracted more than 1.56 million participants, totally distributed over 327,000 copies of public education promotional materials, and received consultations from more than 500,000 customers.

咨询处



Publicity campaign themed with "Knowing more about finance and cultivating one generation of people to influence three generations" for the youth



Promote financial knowledge for community residents by short act, competition, burlesque and other forms of activities to enhance anti-fraud skills



Start the financial knowledge publicity travel in subways from the view of Chief Discovery Officer RedO



Carry out the national Internet security publicity week and introduce the Internet security knowledge for people

Philanthropy

CZBank has persisted in the philosophy of “originating from the society and repaying the society”. While focusing on self-development, we’ve never forgotten repaying the society, and actively participated in public welfare activities for support of cultural and educational development, post-disaster aid and construction, assistance of disadvantaged groups, etc. As at the end of 2017, we’ve totally donated RMB6.3619 million for philanthropic programs, and input capital of RMB4.9874 million in philanthropic programs; we’ve organized 271 philanthropic programs, which have assisted 67,224 people.

CZBank Rainbow Project

Working with Zhejiang Minsheng TV and Zhejiang Dream-Come-True fund, the CZbank Rainbow Project a large-scale public welfare student support action, which has been conducted for 11 years. We’ve raised donations of nearly RMB20.51 million from all sectors of society, and assisted over 20,000 students in mountainous areas. In 2017, the Rainbow Project raised donations of RMB1.76 million in total and paired 447 students in mountainous areas.



On the paired support conference, citizens are searching carefully the public welfare student support targets



CZBank basketball team built up a regular basketball court for Dahan Primary School in Wuhu, Anhui, and instructed professional basketball course for children



Volunteers of CZBank Beijing Branch led the primary school students in Maidi, Daliang Mountain, Sichuan to visit certain scientific education bases such as Xichang Satellite Launching Base



Volunteers of CZBank Chengdu Branch carried out “Love spreading into the mountains” activity in Zangwen Middle School, Hongyuan County, Sichuan, and donated computer classroom to Chaerman Primary School and Rangkou Primary School



On December 16, 2017, CZBank launched the “Loving Monthly Donation” platform, which upgraded the Rainbow Project into a non-stop 24-hour online public welfare program

Summer Breeze Activity

On the occasion of its thirteenth anniversary on 18 August 2017, CZBank carried out a large-scale free drink activity – “Salute to City Guardians”, and send bottled mineral water to streets, construction sites, fire control centers and communities by the combination mode of “Going Out” + “Welcoming In”. Meanwhile, all “City Guardians” were invited into our bank outlets for a rest. Apart from free supply of drinking water, we’ve also prepared heatstroke preventive drugs, newspapers, magazines, etc.



I'll be with you when you guard the city under high temperature



Philanthropic activities with newly-setup physical branches

We've been insisting on the good tradition of diligent and thrifty operation of our business and loving philanthropic activities. We've donated all expenditures for opening and anniversary ceremonies to assist poverty students. In 2017, CZBank contributed RMB2.88 million from opening and anniversary ceremonies to charity.



CZBank Zhengzhou Branch donated RMB1 million for financial targeted poverty alleviation to Guangshan County, Henan

Colorful Philanthropic Actions



Support the construction of Jieguanting Town Central Primary School in Shaanxi Province for ten successive years, totally donating more than RMB2.80 million and 9,744 pieces of goods



Carry out the activities for "developing traditional culture and discovering the beauty of traditional operas", inherit and develop excellent traditional culture



CZBank Zhoushan Branch cooperated with Zhoushan Central Blood Station in carrying out the charity blood donation activity for five successive years



CZBank Jinan Branch cooperated with Shandong Charity Federation in issuing the first charity-themed bank card in Shandong



CZBank Yiwu Branch donated loving bags to condole children of migrant workers



Organizing a loving delegation for three successive years to offer voluntary Short-term support for education in Guizhou



CZBank Shenyang Branch celebrated the mother's day together with the seniors of Songpu Health Care Center



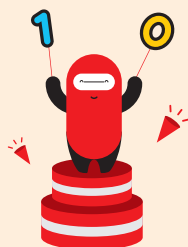
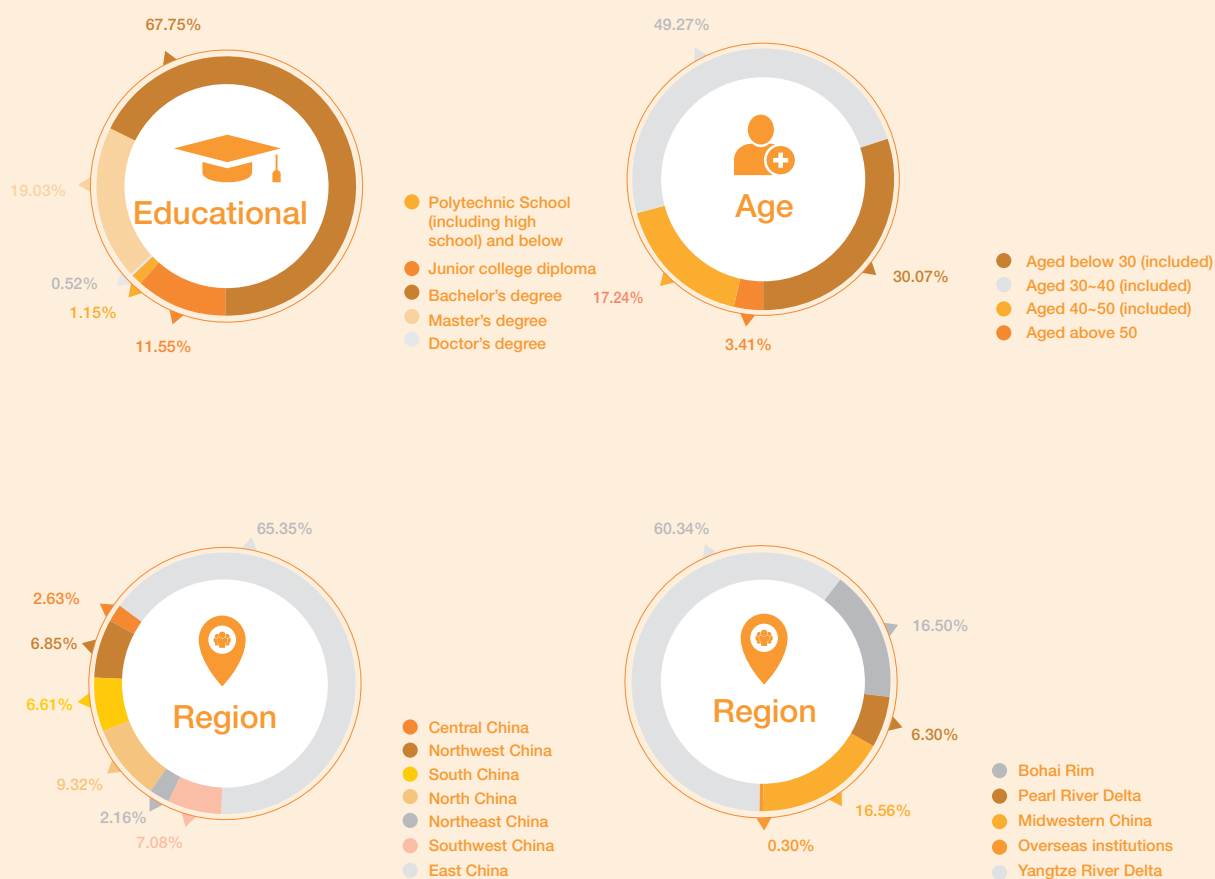
Volunteers of CZBank Chongqing Branch went to Yongchuan to condole centenarian veterans



Employee Management

CZBank insists on the corporate culture philosophy of "humanistic caring" and regards employees as our most precious treasure. We respect the dignity and value of employees, actively fulfill the employee responsibility, and create favorable working conditions for employees. We've established and optimized the incentive, recruitment and equal communication mechanism, so as to achieve the development win-win of both employees and the Company. As at the end of 2017, we totally have 13,214 employees, of whom 2,970 are new employees, 199 are from minority nationalities, and 44 are foreign employees.

2017 Employee Structure Distribution Chart



Employee Rights and Interests

We strictly implement various regulations of the Labor Law, treat different employees equally regardless of their sex, nationality, cultural background or religious belief, and distribute salaries in full and on time; continuously promote the adjustment of employee welfare system, execute the paid vacation system, and improve the organizations of worker's congress, Consultative Group on Labor Disputes, etc.; handle various social insurance procedures for employees according to law, and constantly enhance the employee satisfaction.

As at the end of 2017



Labor contract coverage

Social insurance coverage

Union construction ratio

coverage ratio of physical examination

Measures in protecting employee rights and interests

Recruitment and dismissal

- Sign labor contracts with employees in accordance with the Labor Law of the People's Republic of China and other relevant laws and regulations, and perform relevant obligations according to the contract. No child labor or forced labor has ever been found
- Issue the *Implementation Rules for Social Recruitment and Management of Head Office Employees*
- Establish the recruitment management center

Employee remuneration

- *The Implementation Opinions for Adjustment of CZBank Remuneration System* came into effect from January 1, 2016
- When employees are uniformly arranged to work overtime or in shifts during legal holidays, 300% of the daily basic salary will be paid for compensation
- When employees are uniformly arranged to work in rest days, they'll take working days off of corresponding time

Welfare policy

- **Basic welfare**, adopting the "Five Insurances and One Housing Fund" according to law for all employees, supplementing endowment insurance, commercial insurance, etc.
- **Standard welfare**, providing housing subsidy, communications subsidy, etc.
- **Characteristic welfare**, carrying out employee training, humane care, condolences during festivals, etc.

Democracy and equity

- Announce the list of annual advanced candidates throughout the Bank
- Organize and hold workers' congress
- Hold "the first session of training class for trade union leaders", in which more than 90 peoples attend for specific learning
- Re-establish the 33 trade union groups of the Head Office

Employee communication

- Work out the administrative measures for employee internal whistle-blowing
- Clarify the complaint mechanism for employee performance evaluation results
- Clarify the Consultative Group on Labor Disputes in the labor contract dispute mechanism
- Hold the young employees symposiums at various levels
- Set the online "feedback and suggestion" column

Employee promotion

- Accelerate cultivation and promotion of excellent new employees by special cultivation plan for university students and comprehensive appraisal and cultivation model for university students
- Intensify the assessment orientation, deeply utilization the assessment results, and adopt differentiated promotion incentive policy for employees with different performance
- Accelerate construction of use of young reserve talent teams, and promote a batch of employees of post-80s or even post-85s generation to serve as the central leaders

Employee Development

We actively explore into the effective model of talent cultivation, attach importance to talent growth, build up diversified development channels for employees, strengthen construction of talent teams at various levels, and promote employee development; we improve the training system, promote the employees to enhance their own skills continually, cultivate the talent teams, and provide a favorable working atmosphere for employee development. As at the end of 2017, the total input in trainings amounted to RMB43.253 million, with 2,165 sessions of trainings offered and the number of trainees up to 166,200.

Training Measures

Improving construction of the training organization system

- Work out the 2017 annual training plan
- Establish ten virtual colleges to expand the enterprise-university boundary, and build up a well-organized training organization system
- Continually establish the supplier base, course library, and internal and external teaching force database, so as to integrate the advantageous resources and achieve sharing throughout the Bank

Building up the learning platform

- Establish the intelligent cloud platform subject to the three-in-one mechanism of learning, examination and training management, and featured by complete functions, flexible use by mobile or computer, and free learning at anytime and anywhere
- As at the end of 2017, we've totally organized 112 online courses and 26 examinations, for which 6,872 employees participated and 60,609 person-times signed up, using the platform for totally 28,555 hours

Deepening the training brand programs

- "Sailing" Program for branch heads
 - Systematically integrate the models of management assessment, leadership theory, experience sharing, etc.
 - As at the end of 2017, ten sessions of rotation trainings have been completed, with 409 trainees
- "Selected potential talent training program" for outstanding young employees
 - **Medium level training program (Li Bing Mo Ma):** For employees recruited for 2-4 years
 - **Senior level training program (Wan Ma Ben Teng):** For employees recruited for 5-8 years
 - As at the end of 2017, 96 excellent young employees have been trained
- "Good Teacher Good Lecture" Contest
 - Enrich the teaching course resources by competition training and promoting learning by competition
 - 424 employees have signed in the content, which totally received 164 videos for "Good Teacher" contest and 114 courses for "Good Lecture" contest, with totally 55 cases involved
- "Dream Camp" on-campus recruitment of new employees
 - Develop "New Employee Treasure Map" online, and organize the 8-day "CZBank Dream Camp" centralized training offline
 - Complete training of 163 new Head Office employees
- "One-stop" social recruitment of new employees
 - Adopt the mode of learning after coming
 - Develop the online module for social recruitment of new employees, customize the characteristic modules, and shorten the adaptation phase of new employees recruited

CZBANK 浙商银行 2017年度“好师好课”大赛“好师”选手20强



Holding the first competition training program for internal part-time lecturers in the whole bank system – "Good Teacher Good Lecture" Contest promoting our talent cultivation, organization and development



Conducting business etiquette training for new employees



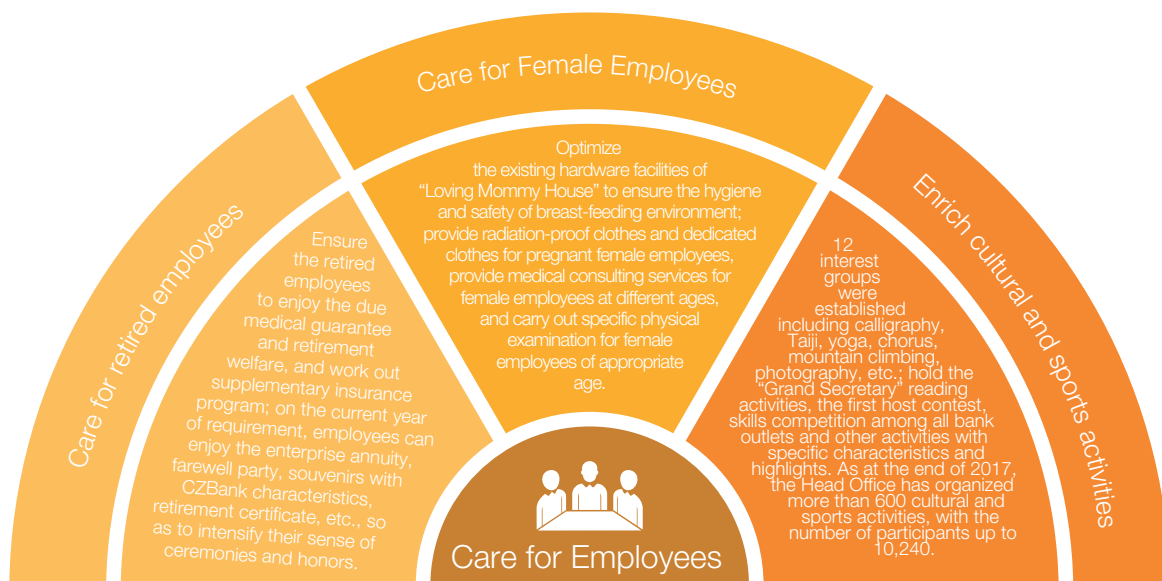
On the "Sailing" Program training field for branch heads, the trainees and lecturers are interacting enthusiastically



The "Silver Eagle" Program was settled in Hangzhou to strengthen interaction and communication for the youths in Taiwan and Mainland China

Health and Safety

We've actively carried out colorful cultural and sports activities, care about mental and physical health of employees, continuously balance the life and work of employees, thereby laying a solid foundation for health living and pleasant work of employees. As at the end of 2017, the coverage ratio of physical examination reached 100%, and no occupation disease was found.



Holding the first skills competition among all bank outlets themed with "developing skills with ingenuity"



Holding the First "Dream Speaker" Host Contest



Chorus of CZBank Chengdu Branch won the second prize of "Golden Voice Award" organize by China Financial Musicians Association



CZBank men's basketball club attended the third employee sports meeting of the national financial system and won the champion



Head Office organized the Calligraphy Interest Group



The Swimming Interest Group of Head Office successfully held over 10 sessions of swimming literacy class with more than 180 employees swimming across the Qiantang River for seven consecutive years



CZBank Nanjing Branch organized the football team, becoming a brand name for external exchange



CZBank Tianjin Branch held the bicycling activity to celebrate the tenth anniversary



Selecting excellent programs to attend the "First Art Show for Financial System Employees in Zhejiang"



CZBank Wuhan Branch held the walking and poem recitation gathering in Donghu on the "Women's Day"



CZBank Ningbo Branch established the first employee band



The "Master" of Tai Chi in CZBank Shenyang Branch, born after 1990, leads the group of Tai Chi enthusiasts.

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