*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (“**SEHK**”) take no responsibility for the contents of this announcement and the listing document attached hereto, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement and the listing document attached hereto.*

*This announcement and the listing document attached hereto are for information purposes only and do not constitute an invitation or an offer to acquire, purchase or subscribe for securities. Any notes that may be issued under the Programme will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any other jurisdiction and may not be offered or sold or (in the case of notes in bearer form) delivered within the United States or (in the case of Category 2 of Regulation S notes) to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, such securities will be offered and sold outside the United States and (in the case of Category 2 of Regulation S notes) to non-U.S. persons in compliance with Regulation S.*

*This announcement and the listing document attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document attached hereto) forms the basis for any contract or commitment whatsoever. For the avoidance of doubt, the publication of this announcement and the listing document attached hereto shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer (as defined below) for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).*

***Notice to Hong Kong investors:** With respect to the Programme listed on the SEHK, the Issuer confirms that any notes that may be issued under the Programme will be intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that any notes that may be issued under the Programme will not be appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

NOTICE OF LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED

CZBANK 浙商银行

CHINA ZHESHANG BANK CO., LTD.
浙商銀行股份有限公司

on behalf of itself and China Zheshang Bank Co., Ltd. (Hong Kong Branch)

*(A joint stock company incorporated in the People’s Republic of China with limited liability) (the “**Issuer**”)*

U.S.$2,000,000,000 Medium Term Note Programme (the “Programme”)
(Stock Code: 2016)
(Stock Code of Preference Shares: 4610)

Arrangers for the Programme

CLSA	**CCB International**

Dealers

CLSA	**CCB International**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Programme on The Stock Exchange of Hong Kong Limited dated 4 January 2021 published by the Issuer.

The Offering Circular dated 4 January 2021 in relation to the Programme is appended to this announcement.

By order of the Board
China Zheshang Bank Co., Ltd.
Shen Renkang
Chairman

Hangzhou, the PRC
5 January 2021

As at the date of this announcement, the executive directors of the Bank are Mr. Shen Renkang and Mr. Xu Renyan; the non-executive directors are Mr. Wang Jian, Mr. Ren Zhixiang, Ms. Gao Qinhong, Mr. Hu Tiangao, Mr. Zhu Weiming and Ms. Lou Ting; the independent non-executive directors are Mr. Tong Benli, Mr. Dai Deming, Mr. Liu Pak Wai, Mr. Zheng Jindu, Mr. Zhou Zhifang, Mr. Wang Guocai and Mr. Wang Wei.

Appendix 1 – Offering Circular

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES AND (IN THE CASE OF CATEGORY 2 OF REGULATION S NOTES) ARE NOT U.S. PERSONS.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**Offering Circular**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: This Offering Circular is being sent to you at your request, and by accepting the e-mail and accessing the attached document, you shall be deemed to represent to China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司 (the "**Bank**") and China Zheshang Bank Co., Ltd. (Hong Kong Branch) 浙商銀行股份有限公司(香港分行) (the "**Hong Kong Branch**", and together with the Bank, each an "**Issuer**"), CLSA Limited and CCB International Capital Limited (together, the "**Arrangers**") that (1) you and any customers you represent are not in the United States and (in the case of Category 2 of Regulation S Notes) not U.S. persons (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (2) that you consent to delivery of the attached and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Bank, the Arrangers, the dealers named herein (the "**Dealers**"), the agents named herein (the "**Agents**") nor their respective affiliates and their respective directors, officers, employees, representatives, agents and each person who controls the Issuer, the Bank an Arranger, a Dealer, an Agent or their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. **We will provide a hard copy version to you upon request.**

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD OR (IN THE CASE OF SECURITIES IN BEARER FORM) DELIVERED WITHIN THE UNITED STATES OR (IN THE CASE OF CATEGORY 2 OF REGULATION S NOTES) TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE IN OFFSHORE TRANSACTIONS AND (IN THE CASE OF CATEGORY 2 OF REGULATION S NOTES) SOLELY TO NON-U.S. PERSONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Bank, the Arrangers or the Dealers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and an Arranger or a Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by it or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.**

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CZBANK 浙商银行

CHINA ZHESHANG BANK CO., LTD.
浙商銀行股份有限公司

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

CHINA ZHESHANG BANK CO., LTD. (HONG KONG BRANCH)
浙商銀行股份有限公司(香港分行)

U.S.$2,000,000,000

Medium Term Note Programme

Under the U.S.$2,000,000,000 Medium Term Note Programme (the "**Programme**") described in this Offering Circular, China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司 (the "**Bank**") or China Zheshang Bank Co., Ltd. (Hong Kong Branch) 浙商銀行股份有限公司(香港分行) (the "**Hong Kong Branch**", and together with the Bank, each an "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$2,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of the Programme by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange) (together, "**Professional Investors**") only during the 12-month period from the date of this Offering Circular on the Hong Kong Stock Exchange. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: With respect to the Notes to be listed on the Hong Kong Stock Exchange, the Issuers confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuers confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuers, the Bank or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Where applicable for a relevant Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes, the Notes will be issued within the relevant annual or otherwise general foreign debt issuance quota granted to the Bank by the National Development and Reform Commission of the PRC (the "**NDRC**") or registration will be completed by the Bank with the NDRC pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC which came into effect on 14 September 2015 and the applicable implementation rules or policies thereof as issued by the NDRC from time to time (the "**NDRC Circular**"). After the issuance of such relevant Tranche of Notes, the Bank has undertaken to provide or cause to be provided a notification of the requisite information and documents on the issuance of such Notes to the NDRC within the time period after the relevant Issue Date as required by the NDRC.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in a pricing supplement (the "**Pricing Supplement**").

The language of this Offering Circular is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States or, in the case of Notes being offered or sold in reliance on Category 2 of Regulation S of the Securities Act, to, or for the account or the benefit of U.S. persons unless an exemption from the registration requirement of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*".

Each Tranche of Notes of each Series (as defined in "*Form of the Notes*") in bearer form will be represented on issue by a temporary global note in bearer form (each a "**Temporary Bearer Global Note**" or "**Temporary Global Note**") or a permanent global note in bearer form (each a "**Permanent Bearer Global Note**" or "**Permanent Global Note**"). Notes in registered form will initially be represented by a global note in registered form (each a "**Registered Global Note**" or "**Global Certificate**" and together with any Temporary Bearer Global Notes and Permanent Bearer Global Notes, the "**Global Notes**" and each a "**Global Note**"). Registered Global Notes will be registered in the name of, or in the name of a nominee for, one or more clearing systems. Global Notes may be deposited on the issue date with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Global Notes may also be deposited with a sub-custodian for the Hong Kong Monetary Authority (the "**HKMA**"), as operator of the Central Moneymarkets Unit Service, operated by the HKMA (the "**CMU Service**" or "**CMU**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Form of the Notes*".

The Issuer may agree with any Dealer that the Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the Hong Kong Stock Exchange) a supplemental offering circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

An application has been made for a rating of the Programme by S&P Global Ratings ("**S&P**"). Notes issued under the Programme may be rated or unrated. Where an issue of a certain series of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme and (where applicable) such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, revision or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors also should have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase Notes unless they understand and are able to bear risks associated with Notes. **See "*Risk Factors*" beginning on page 67 for a discussion of certain factors to be considered in connection with an investment in the Notes.**

Arrangers and Dealers

CLSA **CCB International**

The date of this Offering Circular is 4 January 2021.

IMPORTANT NOTICE

Each of the Issuer and the Bank having made all reasonable enquiries confirms that to the best of its knowledge and belief (i) this Offering Circular contains all information with respect to the Issuer, the Bank, and the Bank and its subsidiaries taken as a whole (the "**Group**") and to the Notes which is material in the context of the issue and offering of the Notes (including all information which is required by applicable laws and the information which, according to the particular nature of the Issuer, the Bank and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Bank and the Group and of the rights attaching to the Notes); (ii) the statements contained herein relating to the Issuer, the Bank, the Group and the Notes are in every material respect true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, the Bank, the Group or the Notes, the omission of which would, in the context of the issue, offering, sale, marketing and distribution of the Notes, make any statement in this Offering Circular misleading; (iv) the statements of intention, opinion, belief or expectation contained in this Offering Circular are honestly and reasonably made or held and have been reached after considering all relevant circumstances and based on reasonable assumptions; (v) all statistical, industry and market related data included in this Offering Circular are derived from sources which the Bank believes in good faith to be accurate and reliable; and (vi) all reasonable enquiries have been and will be made by the Bank to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuers and the Bank. Each of the Issuers and the Bank accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statements herein misleading. This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

No person is or has been authorised by the Issuer or the Bank to give any information or to make any representations other than those contained in this Offering Circular in connection with the Programme or the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Bank, the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates.

The Arrangers and the Dealers have not separately verified the information contained in this Offering Circular to the fullest extent permitted by law. None of the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, none of the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates accepts any responsibility for the contents of this Offering Circular. Each of the Arrangers and the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any financial statements included or incorporated herein are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Bank, the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates that any recipient of this Offering

Circular or any such financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Bank and the risks involved. The purchase of Notes by investors should be based upon their investigation, as they deem necessary. None of the Arrangers nor the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates undertakes to review the financial condition or affairs of the Issuer, the Bank and the Group during the life of the arrangements contemplated by this Offering Circular, nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates.

Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, the Bank, any of the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Bank is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arrangers and the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates expressly do not undertake to review the financial condition or affairs of the Issuer or the Bank during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES OF THE SERIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISATION MANAGER(S) TO DO THIS. SUCH STABILISATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or (in the case of Category 2 of Regulation S Notes) to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act). For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this Offering Circular, see "*Subscription and Sale*" and the applicable Pricing Supplement.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**") or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MIFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

Singapore SFA Product Classification: *In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular or any Pricing Supplement and the offer or sale of Notes may be restricted by law in certain jurisdictions. None of the Issuer, the Bank, the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Bank, the Arrangers or the Dealers or any of their respective directors, officers, employees, agents, representatives or affiliates which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Notes in the United States, the European Economic Area, the United Kingdom, Singapore, Japan, Hong Kong, the People's Republic of China. See "*Subscription and Sale*" and the relevant Pricing Supplement.

Industry and Market Data

Market data and certain information and statistics included in this Offering Circular may have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Bank believe the information to be reliable, it has not been independently verified by the Issuer, the Bank, the Arrangers, the Dealers or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives and none of the Issuer, the Bank, the Arrangers, the Dealers or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives makes any representation as to the accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer, the Bank, the Group and the terms of the offering and the Notes, including the merits and risks involved. Where information has been sourced from a third party, the Issuer and the Bank confirm that this information has been accurately reproduced and that, as far as the Issuer and the Bank are aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information to be inaccurate or misleading.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular contains the consolidated financial information of the Group as at and for the years ended 31 December 2017, 2018 and 2019, which was extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2018 and 2019 (together, the "**Audited Financial Statements**"), which are incorporated by reference in this Offering Circular. The Audited Financial Statements were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("**PricewaterhouseCoopers**") in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standards Board ("**IAASB**").

Since 1 January 2020, the independent auditor of the Bank has been changed from PricewaterhouseCoopers to KPMG, Certified Public Accountants, Hong Kong ("**KPMG**"), in accordance with the requirement of the Ministry of Finance with respect to the maximum number of years of service of an auditor for a financial enterprise.

This Offering Circular also contains the consolidated financial information of the Group as at and for the six months ended 30 June 2019 and 2020, which was extracted from the unaudited but reviewed condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2020 (the "**2020 Interim Financial Statements**"), which are incorporated by reference in this Offering Circular and were prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" ("**IAS 34**") issued by the IASB and has been reviewed by KPMG.

Copies of the Audited Financial Statements and the 2020 Interim Financial Statements can be downloaded from the website of the Hong Kong Stock Exchange at https://www.hkexnews.hk.

The 2020 Interim Financial Statements (which include the comparative financial information as at and for the six months ended 30 June 2019) has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the IAASB. However, the 2020 Interim Financial Statements may not provide the same quality of information associated with information that has been subject to an audit. Investors must exercise caution when using such data to evaluate the Bank's and the Group's financial condition and results of operations. Such unaudited but reviewed condensed consolidated interim financial information as at and for the six months ended 30 June 2020 should not be taken as an indication of the expected financial condition and results of operations of the Bank or the Group for the full financial year ending 31 December 2020.

In addition, this Offering Circular also contains consolidated financial information of the Group as at and for the nine months ended 30 September 2019 and 2020, which was extracted from the consolidated financial statements of the Group as at and for the nine months ended 30 September 2020 published by the Bank on 29 October 2020 (the "**2020 Third Quarter Financial Statements**"). The 2020 Third Quarter Financial Statements were prepared and presented in accordance with IFRS and has neither been audited or reviewed.

The 2020 Third Quarter Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. The 2020 Third Quarter Financial Statements should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending 31 December 2020.

None of the Auditors, the Arrangers, the Dealers or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them make any representation, or warranty, express or implied, regarding the sufficiency of the 2020 Third Quarter Financial Statements for an assessment of the Group's financial condition, results of operations and results.

As at 1 January 2018, the Group has adopted new accounting standards, including IFRS 9, which are effective for accounting periods beginning on or after 1 January 2018. The IFRS 9 model introduces, among other things, an expected loss impairment model. The impact of the initial application of the new accounting standards is disclosed in Note 2 of the Group's audited consolidated financial statements as at and for the year ended 31 December 2018. The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets for the Group. The classification and measurement and impairment requirements of IFRS 9 are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures.

The Group has adopted IFRS 16 as issued by IASB with a date of initial application on 1 January 2019. The impact of the adoption of IFRS 16 is disclosed in Note 2 of the Group's audited consolidated financial statements as at and for the year ended 31 December 2019. According to the requirements of IFRS 16, the Group would not reassess the contracts that had already existed prior to the date of initial application. The Group recognised the cumulative effect of initially applying the standard as an adjustment to the opening balances of relevant line items in the financial statements in 2019. As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the Audited Financial Statements;

(b) the 2020 Interim Financial Statements;

(c) the most recently published audited consolidated financial statements of the Bank and the most recently published unaudited but reviewed condensed consolidated interim financial statements of the Bank, together with any audit or review reports prepared in connection therewith and the most recently published unaudited and unreviewed consolidated quarterly financial statements of the Bank; and

(d) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time,

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

Unless specified otherwise, any consolidated quarterly financial statements of the Group incorporated by reference in this Offering Circular are not audited or reviewed by an independent auditor. Consequently, such financial information should not be relied upon by investors as providing the same quality of information associated with information that has been subject to an audit or review. None of the Arrangers, the Dealers or the Agents makes any representation or warranty, express or implied, regarding the sufficiency of such financial information for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results. Such financial information should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full financial year.

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office, as set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the office of Citicorp International Limited (the "**Fiscal Agent**") at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. Pricing Supplements relating to unlisted Notes will only be available for inspection by a holder of such Notes and such holder must produce evidence satisfactory to the Issuer or the relevant Paying Agent as to its holding of Notes and its identity.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new offering circular will be prepared.

CERTAIN DEFINITIONS

Unless otherwise specified or the context requires, references herein to the "**Bank**" refer to China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司 (2016.HK); references to the "**Hong Kong Branch**" refer to China Zheshang Bank Co., Ltd. (Hong Kong Branch) 浙商銀行股份有限公司(香港分行); references to the "**Issuer**" refer to the Bank or the Hong Kong Branch as specified in the relevant Pricing Supplement as being the issuer of a Series of Notes; references to the "**Group**" refer to the Bank and all its subsidiaries; references herein to "**US Dollar**", "**USD**" and "**U.S.$**" are to the lawful currency of the United States of America (the "**United States**" or the "**U.S.**"); references to "**Hong Kong dollars**", "**HK dollars**" and "**HK$**" are to the lawful currency of Hong Kong; references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the PRC (as defined below); references to "**Sterling**" and "**£**" are to the lawful currency of the United Kingdom and references to "**EUR**", "**euro**" and "**€**" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

In addition, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the PRC, references to "**Macau**" are to the Macau Special Administrative Region of the PRC and references to "**PRC**" are to the People's Republic of China excluding Hong Kong and Macau.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purpose only. In the event of any inconsistency, the Chinese name prevails.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "forward-looking statements". All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "endeavour", "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "forecast", "aim", "intend", "may", "plan", "schedule", "project", "seek to", "future", "goal", "potential", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include, but are not limited to, statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer, the Bank and/or the Group discussed in this Offering Circular regarding matters that are not historical facts.

The factors that could cause the actual results, performances and achievements of the Issuer, the Bank or the Group or any member of the Group to be materially different include, among others:

- general economic, political and business conditions and competitive environment, including those related to the PRC, Hong Kong and globally;
- business plans, strategies and objectives of the Group, and the Group's ability of successfully implementing these business plans, strategies and objectives;
- expansion plan and capital expenditure plans, and ability to carry out those plans;
- ability of the Group to control and reduce its costs;

- fluctuation of handling fees and commission income of the Group;
- the continued availability of capital and financing;
- interest rates and foreign exchange rates, taxes and duties;
- the actions and developments of the Group's competitors;
- financial condition, business results and performance;
- any changes in the laws, rules and regulations of the central and local governments in the PRC, Hong Kong and other relevant jurisdictions in which the Group operates and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC, Hong Kong and the industry and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond the Group's control;
- future development, trend and environment of the industries and markets as well as other risks associated with industries and markets in which the Group operates; and
- other factors, including those discussed in "*Risk Factors*" below.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "*Risk Factors*" below and elsewhere in this Offering Circular. Each of the Issuer and the Bank cautions investors not to place undue reliance on these forward-looking statements which reflect their managements' view only as at the date of this Offering Circular. Neither the Issuer nor the Bank undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur. All forward-looking statements contained in this Offering Circular are subject to the disclaimer statements listed in this section.

THIRD PARTY INFORMATION

The Issuer confirms that all third party information in this Offering Circular has been accurately reproduced and, so far as it is aware and has been able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Such information has not been independently verified by the Issuer, the Bank, the Arrangers, the Dealers or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives and none of the Issuer, the Bank, the Arrangers, the Dealers or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives makes any representation as to the accuracy or completeness of such information.

TABLE OF CONTENTS

DEFINITIONS

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

2020 Interim Financial Statements	the unaudited but reviewed condensed consolidated financial statements of the Group as at and for the six months ended 30 June 2020
2020 Third Quarter Financial Statements	the unaudited consolidated financial statements of the Group as at and for the nine months ended 30 September 2020 (which include the comparative financial information as at and for the nine months ended 30 September 2019), which was published by the board of directors of the Bank on 29 October 2020
Additional Tier 1 Capital	has the meaning given to Additional Tier 1 Capital (其他一級資本) (or any equivalent or successor term) in the Capital Management Measures
Agents	the Fiscal Agent, the CMU Lodging and Paying Agent, the Issuing and Paying Agent, the Registrar, the Calculation Agent, the Paying Agents and the Transfer Agents and any other agent or agents appointed from time to time in respect of the Medium Term Note Programme
Alternative Clearing System	any other alternative clearing system other than Euroclear and Clearstream, Luxembourg
Amended Foreign Exchange Control Regulations	the amended Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) promulgated by the State Council on 5 August 2008
Arrangers	CLSA Limited and CCB International Capital Limited
Articles of Association	the articles of association of the Bank
A Shares	share(s) of par value RMB1.00 each in the share capital of the Bank, which are listed on the Shanghai Stock Exchange under the stock code 601916 and traded in RMB
Audited Financial Statements	the Group's audited consolidated financial statements as at and for the years ended 31 December 2018 and 2019
Auditors	PricewaterhouseCoopers, the independent auditor of the Bank for the years ended 31 December 2017, 2018 and 2019, and KPMG, the independent auditor of the Bank since 2020
Bank	China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司 (2016.HK)

Banking Ordinance	Chapter 155 of the Laws of Hong Kong
Basel III	the third edition of the Basel Capital Accord promulgated in December 2010 by the Basel Committee
Board	the board of directors of the Bank
Capital Adequacy Ratio	has the meaning given to it in the Capital Management Measures
Capital Management Measures	the Administrative Measures for the Capital of Commercial Banks (Trial) (商業銀行資本管理辦法(試行)) issued by the CBRC on 7 June 2012 and which became effective on 1 January 2013 (as amended from time to time)
CAS	China Accounting Standards
CBIRC	China Banking and Insurance Regulatory Commission or any successor entity, a regulatory authority formed via the merge of the CBRC and the CIRC, and, if the context requires, includes its predecessor entities
CBRC	China Banking Regulatory Commission, which merged with CIRC in 2018 to form CBIRC
CCXI	China Chengxin International Credit Rating Co., Ltd.
CIRC	China Insurance Regulatory Commission, which merged with CBRC in 2018 to form CBIRC
Clearstream, Luxembourg	Clearstream Banking S.A.
CNAO	the National Audit Office of the PRC
Company Law	the Company Law of the PRC, as amended from time to time
Connected Persons	has the meaning given to it in the Hong Kong Listing Rules
Core Tier 1 Capital	has the meaning given to Core Tier 1 Capital (核心一級資本) (or any equivalent or successor term) in the Capital Management Measures
Core Tier 1 Capital Adequacy Ratio	as at any date has the meaning given to Core Tier 1 Capital Adequacy Ratio (核心一級資本充足率) (or any equivalent or successor term) in the Capital Management Measures
CSRC	the China Securities Regulatory Commission or any successor entity
Dealers	CLSA Limited and CCB International Capital Limited

Dealer Agreement	the dealer agreement entered into between the Bank and the Dealers on or around 4 January 2021
EIT Law	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated by the National People's Congress of the PRC on 16 March 2007, which became effective on 1 January 2008 and was amended by the Standing Committee of the National People's Congress on 24 February 2017 and 29 December 2018
Euroclear	Euroclear Bank SA/NV
FATCA	Internal Revenue Code Articles 1471-1474
FCA	the UK Financial Conduct Authority
Fiscal Agency Agreement	the fiscal agency agreement in respect of the Medium Term Note Programme to be entered into between the Bank, Citicorp International Limited as initial Fiscal Agent and CMU Lodging and Paying Agent, Citibank, N.A., London Branch as Issuing and Paying Agent and Transfer Agent, Citigroup Global Markets Europe AG as Registrar and the other agents named therein on or around 4 January 2021
Fiscal Agent	Citicorp International Limited
Foreign Exchange Control Regulations	the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996, which became effective on 1 April 1996 and was subsequently amended on 14 January 1997 and 5 August 2008
FSMA	the Financial Services and Markets Act 2000 of the United Kingdom
GDP	gross domestic product
Group	China Zheshang Bank Co., Ltd. and all its subsidiaries
Guiding Opinions	the Guiding Opinions on Capital Instrument Innovation of Commercial Banks (《關於商業銀行資本工具創新的指導意見》) released by the CBRC on 29 November 2012 and amended by CBIRC on 22 November 2019
Historical Financial Statements	the Audited Financial Statements, 2020 Interim Financial Statements and 2020 Third Quarter Financial Statements

H Shares	overseas listed foreign share(s) of par value RMB1.00 each in the share capital of the Bank, which are listed on the Hong Kong Stock Exchange under the stock code 2016 and traded in Hong Kong dollars
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Branch	China Zheshang Bank Co., Ltd. (Hong Kong Branch) 浙商銀行股份有限公司 (香港分行)
Hong Kong dollars, HK dollars, HK$ or HKD	the lawful currency of Hong Kong
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
IAS	International Accounting Standards and their interpretations
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards promulgated by the IASB, as amended from time to time
IIT Law	the Individual Income Tax Law of the PRC
Income Tax Treaty	the agreement between the United States and the PRC and between Hong Kong and the PRC for the Avoidance of Double Taxation
Issuer	the Bank or the Hong Kong Branch as specified in the relevant Pricing Supplement as being the issuer of a Series of Notes
Medium Term Note Programme	the U.S.$2,000,000,000 medium term note programme established by the Bank
MiFID	the Markets in Financial Instruments Directive (2004/39/EC)
MOF	the Ministry of Finance of the PRC, or any successor entity
NDRC	the PRC National Development and Reform Commission
OFAC	the Office of Foreign Assets Control of the U.S. Department of the Treasury
PBOC	the People's Bank of China
PRC	the People's Republic of China, excluding, for the purposes of this Offering Circular, Hong Kong, Macau and the region of Taiwan

QDII	Qualified Domestic Institutional Investors
QFII	Qualified Foreign Institutional Investors
Qualified Investors	investors who meet the qualification requirements under the Trial Administrative Measures on Preference Shares (《優先股試點管理辦法》) issued by the CSRC on 21 March 2014
Reciprocal Recognition Arrangement	the HKSAR and the PRC Arrangement of the Supreme People's Court between the Mainland and the HKSAR on Reciprocal Recognition an Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction signed and endorsed by the HKSAR and the PRC on 14 July 2006
Regulation S	Regulation S under the Securities Act
Renminbi, RMB or CNY	the lawful currency of the PRC
SAFE	the State Administration of Foreign Exchange of the PRC, or any successor entity
SAIC	the State Administration for Industry & Commerce of the PRC, which was integrated into SAMR in 2018
SAMR	the State Administration for Market Regulation of the PRC, or any successor entity
SAT	the State Administration of Taxation of the PRC, or any successor entity
Securities Act	the U.S. Securities Act of 1933, as amended
SFA	the Securities and Futures Act, Chapter 289 of Singapore
SFC	the Hong Kong Securities and Futures Commission
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, as amended)
State Council	the State Council of the PRC
Terms and Conditions of the Notes or Conditions	Terms and Conditions of the Notes
Tier 1 Capital Adequacy Ratio	has the meaning given to Tier 1 Capital Adequacy Ratio (一級資本充足率) (or any equivalent or successor term) in the Capital Management Measures

U.S. or United States	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
US Dollar, USD or U.S.$	the lawful currency of the United States of America

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject to those matters set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement hereto will only be valid for Notes issued under the Programme in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$2,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the premium of Notes issued at a premium shall be added to their nominal amount;

(b) the nominal amount of Notes issued at a discount as at any time shall equal their nominal amount or, if defined and provided for in the Terms and Conditions of such Notes, their Amortised Face Amount as at such time;

(c) the nominal amount of partly paid Notes as at any time shall equal the amount of subscription moneys paid up as at such time; and

(d) the U.S. dollar equivalent of the nominal amount of Notes denominated in a currency other than U.S. dollars (which, in the case of dual currency Notes, shall be the currency in which the subscription moneys are received by the Issuer) shall be determined on the basis of the spot rate for the sale of the U.S. dollar against the purchase of the relevant currency in the London foreign exchange market quoted by any leading bank selected by the Issuer at any time during the five day period ending on the date on which the Issuer concludes an agreement with one or more relevant Dealers for the issue and sale of Notes.

SELECTED FINANCIAL INFORMATION OF THE BANK

The summary historical consolidated financial information of the Group as at and for the years ended 31 December 2017, 2018 and 2019 as set forth below is derived from the Group's Audited Financial Statements, which are incorporated by reference in this Offering Circular. The Group's Audited Financial Statements were prepared in accordance with IFRS, and have been audited by PricewaterhouseCoopers.

The summary historical consolidated financial information of the Group as at and for the six months ended 30 June 2020 as set forth below is derived from the Group's 2020 Interim Financial Statements, which are incorporated by reference in this Offering Circular. The Group's 2020 Interim Financial Statements were prepared in accordance with IAS 34, and have not been audited but have been reviewed by KPMG.

The 2020 Interim Financial Statements has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. However, the 2020 Interim Financial Statements may not provide the same quality of information associated with information that has been subject to an audit. Investors must exercise caution when using such data to evaluate the Bank's and the Group's financial condition and results of operations. Such unaudited but reviewed consolidated interim financial information as at and for the six months ended 30 June 2020 should not be taken as an indication of the expected financial condition and results of operations of the Bank or the Group for the full financial year ending 31 December 2020.

In addition, this Offering Circular contains the 2020 Third Quarter Financial Statements. The 2020 Third Quarter Financial Statements included in this Offering Circular have neither been audited nor reviewed.

The 2020 Third Quarter Financial Statements were prepared and presented in accordance with IFRS. However, the 2020 Third Quarter Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. The 2020 Third Quarter Financial Statements should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending 31 December 2020.

None of the Auditors, the Arrangers, the Dealers or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them make any representation, or warranty, express or implied, regarding the sufficiency of the Group's 2020 Third Quarter Financial Statements for an assessment of the Group's financial condition, results of operations and results.

As at 1 January 2018, the Group has adopted new accounting standards, including IFRS 9, which are effective for accounting periods beginning on or after 1 January 2018. The IFRS 9 model introduces, among other things, an expected loss impairment model. The impact of the initial application of the new accounting standards is disclosed in Note 2 of the Group's audited consolidated financial statements as at and for the year ended 31 December 2018. The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets for the Group. The classification and measurement and impairment requirements of IFRS 9 are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures.

The Group has adopted IFRS 16 as issued by IASB with a date of initial application on 1 January 2019. The impact of the adoption of IFRS 16 is disclosed in Note 2 of the Group's audited consolidated financial statements as at and for the year ended 31 December 2019. According to the requirements of IFRS 16, the Group would not reassess the contracts that had already existed prior to the date of initial application. The Group recognised the cumulative effect of initially applying the standard as an adjustment to the opening balances of relevant line items in the financial statements in 2019. As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures.

Summary historical financial information should be read in conjunction with the Group's Historical Financial Statements and the relevant notes thereto, which are incorporated by reference in this Offering Circular. The historical results do not necessarily indicate the expected results for any future period of the Group.

Consolidated Statements of Comprehensive Income for the Years Ended 31 December 2017, 2018 and 2019

The consolidated statements of comprehensive income of the Group for the years ended 31 December 2017, 2018 and 2019 as set forth below is extracted from the Audited Financial Statements prepared in accordance with IFRS and have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing.

	For the year ended 31 December		
	2017	**2018**	**2019**
	(in RMB millions, unless otherwise stated)		
Interest income	62,582	72,252	79,488
Interest expense	(38,191)	(45,866)	(45,614)
Net interest income	24,391	26,386	33,874
Fee and commission income	8,416	4,830	5,079
Fee and commission expense	(403)	(578)	(500)
Net fee and commission income	8,013	4,252	4,579
Net trading gains	456	7,254	6,235
Net gains on financial investments	905	609	1,346
Other operating income	498	522	412
Operating income	34,264	39,023	46,447
Operating expenses	(11,183)	(12,142)	(12,865)
Impairment losses on assets	(9,374)	–	–
Expected credit losses	N/A	(13,030)	(18,902)
Operating profit	13,707	13,851	14,680
Profit before income tax	13,707	13,851	14,680
Income tax expense	(2,734)	(2,290)	(1,537)
Net profit	10,973	11,560	13,143
Net profit attributable to:			
Shareholders of the Bank	10,950	11,490	12,925
Non-controlling interests	23	70	218
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB)	0.57	0.61	0.64
Other comprehensive income			
Items that cannot be reclassified subsequently to profit or loss:			
Fair value changes on financial assets at fair value through other comprehensive income	–	–	165
Items that may be reclassified subsequently to profit or loss:			
Fair value changes on available-for-sale financial assets	(1,671)	–	–
Fair value changes on financial assets at fair value through other comprehensive income	–	546	636
Expected credit losses of financial assets at fair value through other comprehensive income	–	521	(250)
Exchange difference on translation of foreign financial statements	–	886	466
Related income tax impact	418	(267)	(138)
Total other comprehensive income, net of tax	(1,253)	1,687	879
Total comprehensive income of the year	9,720	13,247	14,022
Total comprehensive income attributable to:			
Shareholders of the Bank	9,696	13,177	13,803
Non-controlling interests	23	70	218

Consolidated Statements of Comprehensive Income for the Six Months Ended 30 June 2019 and 2020 and the Nine Months Ended 30 September 2019 and 2020

The consolidated statements of comprehensive income of the Group for the six months ended 30 June 2019, and 2020 and the nine months ended 30 September 2019 and 2020 as set forth below is extracted from the 2020 Interim Financial Statements prepared in accordance with IAS 34 and reviewed by KPMG in accordance with International Standards on Review Engagements 2410, and from the 2020 Third Quarter Financial Statements prepared in accordance with IFRS, respectively.

	For the six months ended 30 June		For the nine months ended 30 September	
	2019	2020	2019	2020
	(in RMB millions, unless otherwise stated)			
Interest income	38,750	41,418	58,799	63,258
Interest expense	(22,799)	(23,455)	(34,111)	(36,279)
Net interest income	15,951	17,963	24,688	26,979
Fee and commission income	2,851	3,214	4,005	4,376
Fee and commission expense	(284)	(251)	(404)	(386)
Net fee and commission income	2,567	2,963	3,601	3,990
Net trading gains	3,080	2,355	4,079	2,478
Net gains on financial investments	767	1,665	1,770	1,525
Other operating income	208	235	310	316
Operating income	22,573	25,181	34,448	35,288
Operating expenses	(6,064)	(6,243)	(9,386)	(10,233)
Impairment losses	(7,765)	(11,033)	(12,148)	(13,166)
Operating profit	8,744	7,905	12,914	11,889
Profit before income tax	8,744	7,905	12,914	11,889
Income tax expense	(1,120)	(993)	(1,506)	(1,539)
Net profit	7,624	6,912	11,408	10,350
Net profit attributable to:				
Shareholders of the Bank	7,528	6,775	11,239	10,144
Non-controlling interests	96	137	169	206
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (in RMB)	0.36	0.27	0.55	0.43
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Fair value changes on financial assets at fair value through other comprehensive income	(92)	(981)	338	(1,817)
Impairment losses of financial assets at fair value through other comprehensive income	(172)	634	(91)	295
Exchange difference on translation of foreign financial statements	159	365	955	(424)
Total other comprehensive income, net of tax	(105)	18	1,202	(1,946)
Total comprehensive income of the year	7,519	6,930	12,610	8,404
Total comprehensive income attributable to:				
Shareholders of the Bank	7,423	6,793	12,441	8,198
Non-controlling interests	96	137	169	206

Consolidated Statements of Financial Position as at 31 December 2017, 2018 and 2019

The consolidated statements of financial position of the Group as at 31 December 2017, 2018 and 2019 as set forth below is extracted from the Audited Financial Statements prepared in accordance with IFRS and have been audited by PricewaterhouseCoopers in accordance with International Standards on Auditing.

	As at 31 December		
	2017	**2018**	**2019**
	RMB (million)	**RMB (million)**	**RMB (million)**
Assets:			
Cash and balances with central bank	154,091	126,370	131,029
Precious metal	12,383	8,103	21,251
Due from banks and other financial institutions	71,432	55,383	55,859
Derivative financial assets	4,554	10,123	13,892
Loans and advances to customers	649,817	837,076	998,933
Financial investments			
– Financial assets at fair value through profit or loss	46,345	135,211	129,266
– Financial assets at fair value through other comprehensive income	–	91,886	83,611
– Financial assets measured at amortised cost	–	337,836	305,160
– Available-for-sale	127,899	–	–
– Held-to-maturity	91,563	–	–
– Debt instruments classified as receivables	343,223	–	–
Property, plant and equipment	6,603	10,357	12,673
Right-of-use assets	N/A	N/A	5,081
Deferred income tax assets	7,367	8,320	11,831
Other assets	21,476	26,029	32,199
Total assets	1,536,752	1,646,695	1,800,786
Liabilities:			
Due to banks and other financial institutions	356,806	279,999	266,870
Financial liabilities at fair value through profit or loss	5,616	12,483	15,143
Derivative financial liabilities	5,298	10,648	14,911
Customer deposits	860,620	974,770	1,143,741
Income tax payable	2,892	1,903	3,966
Provisions	–	3,118	5,544
Debt securities issued	190,552	245,997	206,241
Other liabilities	25,282	15,328	13,234
Lease liabilities	N/A	N/A	3,108
Total liabilities	1,447,064	1,544,246	1,672,758
Equity:			
Share capital	17,960	18,719	21,269
Other equity instruments	14,958	14,958	14,958
Capital reserve	19,975	22,130	32,018
Surplus reserve	4,883	6,025	7,294
Statutory general reserve	17,244	18,462	19,454
Investment revaluation reserve	(1,554)	1,389	2,268
Retained earnings	14,730	19,203	28,985
Equity attributable to shareholders of the Bank	88,195	100,886	126,246
Non-controlling interests	1,493	1,563	1,781
Total equity	89,688	102,449	128,028
Total liabilities and equity	1,536,752	1,646,695	1,800,786

Consolidated Statements of Financial Position as at 31 December 2019, 30 June 2020 and 30 September 2020

The consolidated statements of financial position of the Group as at 31 December 2019, 30 June 2020, and 30 September 2020 as set forth below is extracted from the 2020 Interim Financial Statements prepared in accordance with IAS 34 and reviewed by KPMG in accordance with International Standards on Review Engagements 2410 and 2020 Third Quarter Financial Statements prepared in accordance with IFRS, respectively.

Certain financial information as at and for the year ended 31 December 2019 were reclassified to conform with the presentation for the period commencing 1 January 2020 onwards.

	As at 31 December	As at 30 June	As at 30 September
	2019	2020	2020
	RMB (million)	RMB (million)	RMB (million)
Assets:			
Cash and balances with central bank	131,029	154,124	140,368
Precious metal	21,251	7,866	11,573
Deposits with banks and other financial institutions	17,725	27,008	68,743
Placements with banks and other financial institutions	9,184	3,669	3,149
Derivative financial assets	13,892	15,135	17,828
Financial assets purchased under resale agreements	28,950	18,433	25,045
Loans and advances to customers	998,933	1,097,410	1,129,624
Financial investments			
– Financial assets at fair value through profit or loss	129,266	133,412	125,055
– Financial assets at fair value through other comprehensive income	83,612	93,500	92,290
– Financial assets measured at amortised cost	305,160	374,858	371,194
Fixed assets	12,673	13,226	13,413
Right-of-use assets	5,081	4,898	4,816
Intangible assets	268	266	268
Deferred income tax assets	11,831	13,159	13,663
Other assets	31,931	33,642	36,070
Total assets	1,800,786	1,990,606	2,053,099
Liabilities:			
Due to central bank	94,065	76,568	79,215
Deposits from banks and other financial institutions	132,950	88,723	145,866
Placements from banks and other financial institutions	33,853	38,755	51,274
Financial liabilities at fair value through profit or loss	15,143	21,851	20,032
Derivative financial liabilities	14,911	15,979	18,804
Financial assets sold under purchase agreements	6,002	34,604	14,292
Customer deposits	1,143,741	1,354,290	1,363,800
Employee benefits payable	4,439	4,313	4,930
Tax payable	4,669	3,697	2,943
Provisions	5,544	5,692	5,639
Lease liabilities	3,108	3,018	3,002
Debt securities issued	206,241	198,502	204,507
Other liabilities	8,093	15,693	8,400
Total liabilities	1,672,759	1,861,685	1,922,704
Equity:			
Share capital	21,269	21,269	21,269
Other equity instruments	14,958	14,958	14,958
Capital reserve	32,018	32,018	32,018
Surplus reserve	7,294	7,294	7,294
Statutory general reserve	19,454	21,013	21,013
Other comprehensive income	2,268	2,286	322
Retained earnings	28,985	28,165	31,534
Equity attributable to shareholders of the Bank	126,246	127,003	128,408
Non-controlling interests	1,781	1,918	1,987
Total equity	128,027	128,921	130,395
Total liabilities and equity	1,800,786	1,990,606	2,053,099

Capital Adequacy Ratio and Leverage Ratio Indicators

	As at 31 December			As at 30 June	As at 30 September
	2017	2018	2019	2020	2020
	(in RMB millions, except percentages)				
Capital adequacy ratio					
Net core tier-one capital	74,451	87,044	112,239	112,775	114,325
Net tier-one capital	89,455	102,107	127,337	127,877	129,434
Net capital	109,687	139,030	165,753	167,321	169,724
Core tier-one capital adequacy ratio (per cent.)	8.3	8.4	9.6	9.1	8.7
Tier-one capital adequacy ratio (per cent.)	10.0	9.8	10.9	10.3	9.9
Capital adequacy ratio	12.2	13.4	14.2	13.4	13.0
Leverage ratio					
Leverage ratio (per cent.)	4.8	5.1	6.0	5.4	5.2
Net tier-one capital	89,455	102,107	127,337	127,877	129,434
Adjusted asset balance inside and outside the balance sheet	1,852,456	2,001,374	2,139,653	2,387,144	2,475,323

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Issuer	China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司 or China Zheshang Bank Co., Ltd. (Hong Kong Branch) 浙商銀行股份有限公司(香港分行) as specified in the relevant Pricing Supplement as being the Issuer of a Series of Notes.
Description	Medium Term Note Programme.
Arrangers	CLSA Limited and CCB International Capital Limited.
Dealers	CLSA Limited, CCB International Capital Limited and any other Dealers appointed in accordance with the Dealer Agreement.
Certain Restrictions	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*" and the relevant Pricing Supplement) including the following restrictions applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are received in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Fiscal Agent	Citicorp International Limited.
Issuing and Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citigroup Global Markets Europe AG.
CMU Lodging and Paying Agent	Citicorp International Limited.

Programme Size	Up to U.S.$2,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") outstanding at any time. The Bank or the Hong Kong Branch may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
Maturities	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	The Notes will be issued in bearer or registered form as described in "*Form of the Notes*". Registered Notes will not be exchangeable for Bearer Notes and vice versa.
Fixed Rate Notes	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the Dealer.
Floating Rate Notes	Floating Rate Notes will bear interest at a rate determined: (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions as amended and supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise as amended, supplemented or replaced; or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (c) on such other basis as may be agreed between the Issuer and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each series of Floating Rate Notes.

Benchmark Discontinuation	Benchmark discontinuation might be specified in the relevant Pricing Supplement together with relevant risk factors.
Index Linked Notes	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.
Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes	Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.
Dual Currency Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.
Zero Coupon Notes	Zero Coupon Notes will be offered and sold at a discount to their nominal amount or offered and sold at their nominal amount and be redeemed at a premium and will not bear interest.
Redemption	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons, or pursuant to a winding-up of the Issuer following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

Denomination of Notes	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. See "*Certain Restrictions*" above.
Taxation	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, Receipts and Coupons will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Tax Jurisdiction (as defined in the Terms and Conditions of the Notes) or any political subdivision or any authority therein or thereof having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of the Notes, Receipts and the Coupons, subject as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Status of the Notes	The Notes and the Receipts and the Coupons relating to them will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Negative Pledge	The Notes will contain a negative pledge provision as further described in Condition 4(a).
Events of Default	Events of Default for the Notes are set out in Condition 10.
Cross Acceleration	The terms of the Notes will contain a cross-acceleration provision as further described in Condition 10(c).
Listing	Application has been made to the Hong Kong Stock Exchange for the listing of the Programme by way of debt issues to Professional Investors only on the Hong Kong Stock Exchange during the 12-month period from the date of this Offering Circular. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).

	The Notes may also be listed on the Hong Kong Stock Exchange and on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Ratings	An application has been made for a rating of the Programme by S&P. Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision, reduction or withdrawal at any time by the assigning rating agency.
Governing Law	The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them will be governed by, and shall be construed in accordance with, English law.
Jurisdiction	The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons may be brought in such courts.
Selling Restrictions	There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the European Economic Area, Singapore, Japan, Hong Kong, the PRC and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes. See "*Subscription and Sale*" and the relevant Pricing Supplement.
United States Selling Restrictions	Regulation S, Category 1 or 2, as specified in the applicable Pricing Supplement. Whether TEFRA C or D rules apply or whether TEFRA is applicable will be specified in the applicable Pricing Supplement.
Clearing Systems	The CMU Service, Euroclear, Clearstream and/or any other clearing system as specified in the applicable Pricing Supplement. See "*Form of the Notes*".

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will be initially issued in the form of a Temporary Bearer Global Note or, if so specified in the applicable Pricing Supplement, a Permanent Bearer Global Note which, in either case, will be delivered (a) prior to the original issue date of the Tranche to either (i) a common depositary (the "**Common Depositary**") for, Euroclear and Clearstream or (ii) a sub-custodian for the CMU Service or (b) at such other time, on such other date, to such other person and in such other place in accordance with the Fiscal Agency Agreement.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes, subject as provided by such Temporary Bearer Global Note, will be made upon presentation and (when no further payment is due in respect of such Temporary Bearer Global Note) surrender of such Temporary Bearer Global Note. On and after the date (the "**Exchange Date**") which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge to the holder) upon a request as described therein either for (a) interests in a Permanent Bearer Global Note of the same Series or (b) if so specified in the applicable Pricing Supplement, for definitive Bearer Notes of the same Series provided that if the applicable Pricing Supplement specifies that TEFRA D rules apply, there shall have been certification (in a form to be provided) with respect to such nominal amount submitted for such exchange dated no earlier than the Exchange Date to the effect that the beneficial owners of interests in such Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations. The CMU Service may require that any such exchange for a Permanent Bearer Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) have so certified. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made upon presentation and (when no further payment is due in respect of such Permanent Bearer Global Note) surrender of such Permanent Bearer Global Note without any requirement for certification.

In respect of a Bearer Global Note held through the CMU Service, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Bearer Global Note are credited (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU Service) and, save in the case of final payment, no presentation of the relevant Bearer Global Note shall be required for such purpose.

A Permanent Bearer Global Note will be exchangeable (free of charge to the holder), on or after the Exchange Date, in whole but not, except as provided by such Permanent Bearer Global Note, in part, for definitive Bearer Notes (a) if such Permanent Bearer Global Note is held on behalf of Euroclear, Clearstream, the CMU or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (b) if principal in respect of such Permanent Bearer Global Note is not paid when due, by the holder giving notice to the Paying Agent or CMU Lodging and Paying Agent (as applicable) of its election for such exchange. For these purposes, "**Exchange Date**" means a day falling not less than 60 days or in the case of exchange following failure to pay principal in respect of such Permanent Bearer Global Note when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Paying Agent or CMU Lodging and Paying Agent (as applicable) is located and, except in the case of exchange pursuant to (a) above, in the cities in which Euroclear and Clearstream and the CMU (as applicable) or, if relevant, the Alternative Clearing System, are located. The following legend will appear on all Bearer Notes and on all receipts and interest coupons relating to such Notes:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear, Clearstream or the CMU Service, as the case may be.

Registered Notes

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States, will initially be represented by a global note in registered form (a "**Registered Global Note**", together with any Bearer Global Note, the "**Global Notes**").

Registered Global Notes will be deposited with a Common Depositary for and registered in the name of a common nominee of, Euroclear, Clearstream and/or deposited with a sub-custodian for the CMU Service (if applicable) or such other person in such other place in accordance with the Fiscal Agency Agreement.

Payments of principal, interest or any other amount in respect of the Registered Notes in global form will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 1) as the registered holder of the Registered Global Notes. None of the Issuer, the Bank, the Fiscal Agent, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 7(b)(ii)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the Issuer being notified that both Euroclear and Clearstream and, in the case of Notes cleared through the CMU Service, the CMU Service have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any case, no successor or alternative clearing system is available.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear, Clearstream and the CMU Service, in each case to the extent applicable.

General

For so long as a Global Note or a Global Certificate is lodged with the CMU, (i) the CMU Lodging and Paying Agent shall pay any amounts of principal and interest due on a Global Note or a Global Certificate to the person(s) notified by the CMU to the CMU Lodging and Paying Agent as being the person(s) for whose account(s) interest(s) in that Global Note or Global certificate is credited and the CMU Lodging and Paying Agent shall not endorse that Global Note or Global Certificate and (ii) the records of the CMU (in the absence of manifest error) shall be conclusive evidence of the identity of the persons to whose accounts interests in that Global Note or Global Certificate are credited and the principal amount(s) of the interest(s) and of the Tranche of Notes represented by that Global Note or evidenced by that Global Certificate. Save in the case of manifest error, the CMU Lodging and Paying Agent shall be entitled to rely on any CMU Instrument Position Report or any other statement by the CMU of the identities and interests of persons credited with interests in that Global Note or Global Certificate. If, and for so long as, a Global Note or Global Certificate is not lodged with the CMU, the Paying Agent and the other Agents shall make all payments in respect of that Global Note or Global Certificate against presentation (and, in the case of its redemption in full, surrender) of that Global Note or Global Certificate and (unless that Global Note or Global Certificate is surrendered) shall on behalf of the relevant Issuer endorse, or procure the endorsement of, a memorandum of each such payment in the relevant schedule to that Global Note or Global Certificate and return it, or cause it to be returned, to its bearer or holder. Any reference herein to Euroclear and/or Clearstream and/or the CMU Service shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. If principal in respect of any Notes represented by a Global Note is not paid when due (but subject as provided below), the holder thereof may from time to time elect that Direct Rights under the provisions of (and as defined in) the deed of covenant (as supplemented, restated and/or amended, the "**Deed of Covenant**") executed by the Bank on its behalf and on behalf of the Hong Kong Branch as of 4 January 2021 shall come into effect in respect of a nominal amount of Notes up to the aggregate nominal amount in respect of which such failure to pay principal has occurred. Such election shall be made by notice to and presentation of the Global Note to the Paying Agent or the CMU Lodging and Paying Agent (as applicable) for reduction of the nominal amount of Notes represented by such Global Note by such amount as may be stated in such notice. Upon each such notice being given, such Global Note shall become void to the extent of the nominal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect, for whatever reason.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below: [**PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**")]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor [United Kingdom ("**UK**")]/[UK]. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the Financial Services and Markets Act 2000 ("**FSMA**") to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[.]/[; or] [(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA]. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [*Consider any negative target market.*] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products]/[capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded]/[Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][1]

Pricing Supplement dated [●]
[CHINA ZHESHANG BANK CO., LTD. 浙商銀行股份有限公司/CHINA ZHESHANG BANK CO., LTD. (HONG KONG BRANCH)][2]

Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Notes*]
under the U.S.$.2,000,000,000 Medium Term Note Programme

This document constitutes the Pricing Supplement for the Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [●] [and the supplemental Offering Circular dated [●]] ([together,] the "**Offering Circular**"). [This Pricing Supplement, together with the information set out in Schedule [●] to this Pricing Supplement, supplements the Offering Circular and supersedes the information in the Offering Circular to the extent inconsistent with the information included therein.] Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date:

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Conditions**") set forth in the Offering Circular dated on or about [●]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated on or about [●] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated on or about [●] and are attached hereto.]

[*The following language applies where the relevant Series of Notes will be listed on the Hong Kong Stock Exchange:*

This document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only.

The Stock Exchange of Hong Kong Limited ("HKSE") has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Programme and the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

---

1 For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.

2 [A branch of China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司, which/China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司] is a joint stock company incorporated in the People's Republic of China with limited liability.

Notice to Hong Kong investors: The Issuer confirms that the Notes are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer confirms that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

This document (read together with the Offering Circular dated [●] [and the supplemental Offering Circular dated [●]]) includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.]

1 . . .	Issuer:	[China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司]/[China Zheshang Bank Co., Ltd. (Hong Kong Branch)]
2 . . .	[(i)] Series Number:	[●]
	[(ii) Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)]	[●]
3 . . .	Specified Currency or Currencies:	[●]
4 . . .	Aggregate Nominal Amount(1):	
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]]
5 . . .	[(i)] Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] *(in the case of fungible issues only, if applicable)*]
	[(ii) Net proceeds:	[●] *(Required only for listed issues)*]
	[(iii) Use of proceeds:	[●] (*Give details if different from the "Use of Proceeds" section in the Offering Circular.*)]
6 . . .	(i) Specified Denominations:	[●](2)
	(ii) Calculation Amount(5):	[●]

7 . . .	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*Specify*/Issue date/Not Applicable]
8 . . .	Maturity Date:	[specify date *(for Fixed Rate Notes)* or *(for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*][(3)]
9 . . .	Interest Basis:	[[●] per cent. Fixed Rate] [[*specify reference rate*] +/-[●] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10 . .	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment] [Other (*specify*)]
11 . .	Change of Interest or Redemption/Payment Basis:	*[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12 . .	Put/Call Options:	[Put] [Call] [(further particulars specified below)]
13 . .	(i) Status of the Notes:	Senior Notes
	(ii) [Date of [Board] approval for issuance of Notes obtained:]	[Not Applicable/specify details where Board (or similar) authorisation is required for the particular tranche of Notes]
14 . .	Listing:	[The Stock Exchange of Hong Kong Limited/Other (*specify*)/None]
15 . .	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16 . .	Fixed Rate Note Provisions	[Applicable/Not Applicable/Applicable from and including the [Issue Date/Interest Payment Date falling on [●]] to but excluding the [Interest Payment Date falling on [●]/Maturity Date]] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii) Interest Period:	[Each period from and including the [Issue Date]/[Interest Payment Date falling on [●]] to (but excluding) the [subsequent Interest Payment Date falling on [●]/[Maturity Date]], except that the first Interest Period will commence on (and include) the [Issue Date]/[the Interest Payment Date falling on [●]] and the final Interest Period shall end (but exclude) the [Interest Payment Date falling on [●]]/[Maturity Date]]
	(iii) Interest Payment Date(s):	[●] in each year[(4)] [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*/not adjusted]
	(iv) Business Day Convention:	[Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)/not adjusted]
	(v) Fixed Coupon Amount[(s)]:	[●] per Calculation Amount[(5)]
	(vi) Broken Amount:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph.)* [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●] *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)] and the Interest Payment Date(s) to which they relate]*

(vii)	Day Count Fraction (Condition 5(j)):	[30/360/Actual/Actual (ICMA/ISDA)/Actual/365(Fixed)/Other] *(Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars, Renminbi or Hong Kong dollars)*
(viii)	Determination Date(s) (Condition 5(j)):	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph.)* [●] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]*(6)
(ix)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[Not Applicable/*give details*]
(x)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]

17 . .	Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
(i)	Interest Period(s):	[Each period from and including the [Issue Date]/[Interest Payment Date falling on [●]] to (but excluding) the [subsequent Interest Payment Date falling on [●]/[Maturity Date]], except that the first Interest Period will commence on (and include) the [Issue Date]/[the Interest Payment Date falling on [●]] and the final Interest Period shall end (but exclude) the [Interest Payment Date falling on [●]]/[Maturity Date].]
(ii)	Specified Interest Payment Dates:	[●] in each [month]/[year] [commencing on the [Issue Date/Interest Payment Date falling on [●]] and ending on the [Interest Payment Date falling on [●]/Maturity Date]] [adjusted in accordance with [specify Business Day Convention and any applicable Financial Centre(s) for the definition of "**Business Day**"]/not adjusted]
(iii)	Interest Period Date(s):	[Not Applicable/specify dates] *(Not applicable unless different from Interest Payment Date)*

(iv)	Business Day Convention:	[Floating Rate Note Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
(v)	Business Centre(s) (Condition 5(j)):	[Not Applicable/*give details*]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other *(give details)*]
(vii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]):	[●]
(viii)	Screen Rate Determination (Condition 5(b)(iii)):	
	– Reference Rate:	LIBOR/EURIBOR/HIBOR/CNH HIBOR/*Specify reference rate*
	– Interest Determination Date:	*[[●] [TARGET] Business Days in [specify city] for [specify currency] prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]*
	– Relevant Screen Page:	[●]
(ix)	ISDA Determination (Condition 5(b)(iii)):	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
(x)	Margin(s):	[+/-] [●] per cent. per annum
(xi)	Minimum Rate of Interest:	[●] per cent. per annum
(xii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiii)	Day Count Fraction (Condition 5(j)):	[●]
(xiv)	Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[*Specify details of fallback provisions*]

18 . .	Zero Coupon Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Amortisation Yield (Condition 6(b)):	[●] per cent. per annum
	(ii)	Day Count Fraction (Condition 5(j)):	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
19 . .	Index Linked Interest Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Index/Formula:	*[Give or annex details]*
	(ii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent):	[●]
	(iii)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(iv)	Interest Period(s):	[●]
	(v)	Specified Interest Payment Dates:	[●]
	(vi)	Business Day Convention:	[Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
	(vii)	Business Centre(s) (Condition 5(j)):	[●]
	(viii)	Minimum Rate of Interest:	[●] per cent. per annum
	(ix)	Maximum Rate of Interest:	[●] per cent. per annum
	(x)	Day Count Fraction (Condition 5(j)):	[●]
20 . .	Dual Currency Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate of Exchange/Method of calculating Rate of Exchange:	[*Give details*]

	(ii)	Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v)	Day Count Fraction (Condition 5(j)):	[●]

PROVISIONS RELATING TO REDEMPTION

21 . .	Call Option		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●] per Calculation Amount
		(b) Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:	[●]
22 . .	Put Option		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]

23 . .	Final Redemption Amount of each Note	[●] per Calculation Amount
24 . .	Early Redemption Amount	
	(i) Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons (Condition 6(c)) or Event of Default (Condition 10 and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25 . .	Form of Notes:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time] [Permanent Global Certificate exchangeable for Definitive Certificates in the limited circumstances specified in the Permanent Global Certificate] [Permanent Global Certificate exchangeable for Definitive Certificates on [●] days' notice/at any time][(7)(8)] **Registered Notes:** [Regulation S Global Note ([U.S.$][●] nominal amount) registered in the name of a nominee for [a common depositary for Euroclear and Clearstream]]

26 . .	Financial Centre(s) (Condition 7)) or other special provisions relating to payment dates:	[Not Applicable/*Give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which item 16(ii), 17(iv) and 19(vii) relate*]
27 . .	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
28 . .	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29 . .	Details relating to Instalment Notes:	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	[●]
	(ii) Instalment Date(s):	[●]
	(iii) Minimum Instalment Amount:	[●]
	(iv) Maximum Instalment Amount:	[●]
30 . .	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
31 . .	Consolidation provisions:	[Not Applicable/The provisions annexed to this Pricing Supplement apply]
32 . .	Other terms or special conditions:	[Not Applicable/*give details*](9)

DISTRIBUTION

33 . .	(i) If syndicated, names of Managers:	[Not Applicable/*give names*] [The Issuer or any of its broker-dealers or other affiliates may engage in market-making transactions involving the Notes after their initial sale as permitted by applicable law, but none of the Issuer, any of its broker-dealer or its affiliates is obligated to do so or to make a market for the Notes]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]

34 . .	If non-syndicated, name of Dealer:	[Not Applicable/*give name*] [The Issuer or any of its broker-dealers or other affiliates may engage in market-making transactions involving the Notes after their initial sale as permitted by applicable law, but none of the Issuer, any of its broker-dealer or its affiliates is obligated to do so or to make a market for the Notes]
35 . .	U.S. Selling Restrictions	[TEFRA D/TEFRA C/TEFRA not applicable] Regulation S (Category [1/2]) [(TEFRA not applicable for Bearer Notes with a maturity of one year or less or Registered Notes) (Where TEFRA D is applicable, a Bearer Note must be issued in the form of a Temporary Note exchangeable upon a U.S. tax certification for a Permanent Global Note or a Definitive Note)]
36 . .	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*
37 .	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] *(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged"products and a key information document will be prepared in the UK, "Not Applicable" should be specified. If the Notes may constitute "packaged"products and no key information document will be prepared, "Applicable" should be specified.)*
38 . .	Additional selling restrictions:	[Not Applicable/*give details*]
39 . .	Private bank rebate/commission:	[Not Applicable/In addition, the Issuer has agreed with the [Managers] to pay a commission to certain private banks in connection with the distribution of the Notes to their clients. This commission will be based on the principal amount of the Notes so distributed, and may be deducted from the purchase price for the Notes payable by such private banks upon settlement]

OPERATIONAL INFORMATION

40 . .	ISIN Code:	[●]
41 . .	Common Code:	[●]
42 . .	CMU Instrument Number:	[●]
43 . .	Legal Entity Identifier of the Bank:	[300300C1031633000208]
44 . .	Any clearing system(s) other than Euroclear, Clearstream, the CMU Service and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
45 . .	Delivery:	Delivery [against/free of] payment
46 . .	Additional Paying Agents (if any):	[●]

GENERAL

47 . .	The aggregate principal amount of Notes issued has been translated into US dollars at the rate of [●], producing a sum of (for Notes not denominated in U.S. dollars):	[Not Applicable/U.S.$[●]]
48 . .	In the case of Registered Notes, specify the location of the office of the Registrar if other than Hong Kong:	[Not Applicable/Luxembourg]
49 . .	In the case of Bearer Notes, specify the location of the office of the Fiscal Agent if other than London:	[Not Applicable/Hong Kong]
50 . .	(i) Date of corporate approval(s) for the issuance of the Notes	[●]
	(ii) Date of any regulatory approval for the issuance of the Notes	[●]
51 . .	Governing Law:	English law

52 . . Ratings:	The Notes to be issued have [not] been rated: [S&P: [●]]; [Moody's: [●]]; [Fitch: [●]]; [Other: [●]] *(the above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue [if listed and admitted to trading on the Hong Kong Stock Exchange] of the Notes described herein pursuant to the U.S.$2,000,000,000 Medium Term Note Programme of China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司.]

[STABILISATION

In connection with the issue of any Tranche of Notes, one or more of the Managers named as Stabilisation Manager (or persons acting on behalf of any Stabilisation Manager(s)) in this Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no obligation on the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager) to do this. Such stabilisation if commenced may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, and must be brought to an end after a limited period. Such stabilisation shall be in compliance with all applicable laws, regulations and rules.]

[MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There] has been no significant change in the financial or trading position of the Issuer or of the Group since *[insert date of last audited accounts or interim accounts (if later)]* and no material adverse change in the financial position or prospects of the Issuer or of the Group since *[insert date of last published annual accounts]*.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ______________________________

Duly authorised

Notes:

(1) Except in the case of a tap issue, Notes listed on The Stock Exchange of Hong Kong Limited must be of a principal amount of at least HK$100 million (or equivalent in other currencies).

(2) Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).

If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording set out in the Guidance Note published by ICMA in November 2006 (or its replacement from time to time) as follows: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000".

Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK$500,000 (or its equivalent in other currencies).

(3) [If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom, or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.]

Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

Note that for certain Renminbi or Hong Kong dollar denominated Fixed Rate Notes the Interest Payment Dates are subject to modification and the following words should be added: "provided that if any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day."

(4) For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.05 in the case of Renminbi denominated Fixed Rate Notes or to the nearest HK$0.01, HK$0.005 in the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

(5) Only to be completed for an issue where the Day Count Fraction is Actual/Actual-ICMA.

(6) If the Global Note/Certificate is exchangeable for Definitive Notes/Certificates at the option of the holder, the Notes shall be tradeable only in amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination) provided in paragraph 6 and multiples thereof.

(7) Only applicable if permitted by the rules of the relevant clearing system. The limited circumstances in which exchange is permitted are set out under the section "*Form of the Notes*" in the Offering Circular.

(8) If full terms and conditions are to be used, please add the following here:

"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Offering Circular for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary".

The first set of bracketed words is to be deleted where there is a Permanent Global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the Pricing Supplement.

(9) If any change is disclosed in the Pricing Supplement, it may require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Offering Circular rather than in a Pricing Supplement.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplements. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are part of a Series (as defined below) of Notes issued by China Zheshang Bank Co., Ltd. 浙商銀行股份有限公司 (the "Bank") or China Zheshang Bank Co., Ltd. (Hong Kong Branch) (the "Hong Kong Branch") as specified hereon (the "Issuer") and are issued pursuant to a fiscal agency agreement (as amended, restated or supplemented as at the Issue Date, the "Fiscal Agency Agreement") dated 4 January 2021 which has been entered into in relation to the Notes between the Bank (on behalf of itself and on behalf of the Hong Kong Branch), Citicorp International Limited as fiscal agent, CMU lodging and paying agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended, restated or supplemented as at the Issue Date, the "Deed of Covenant") dated 4 January 2021 executed by the Bank (on behalf of itself and on behalf of the Hong Kong Branch) in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agent(s) and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Fiscal Agent", the "CMU Lodging and Paying Agent", the "Paying Agents" (which expression shall include the Fiscal Agent and the CMU Lodging and Paying Agent), the "Registrar", the "Transfer Agents" (which expression shall include the Registrar) and the "Calculation Agent(s)" (such Fiscal Agent, CMU Lodging and Paying Agent, Paying Agents, Registrar and Transfer Agent(s) being together referred to as the "Agents"). For the purposes of these terms and conditions (the "Conditions"), all references to the Fiscal Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Copies of the Fiscal Agency Agreement and the Deed of Covenant are available for inspection during usual business hours at the specified offices of the Paying Agents.

The Noteholders (as defined below), the holders of the interest coupons (the "Coupons") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "Talons") (the "Couponholders") and the holders of the receipts for the payment of instalments of principal (the "Receipts") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of and are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

As used in these Conditions, "Tranche" means Notes which are identical in all respects.

If specified hereon that the Issuer is the Hong Kong Branch, notwithstanding that the Issuer is not a separate and independent legal person of the Bank, any obligations of the Bank under these Conditions shall be construed subject to, and in accordance with, applicable law.

1 FORM, DENOMINATION AND TITLE

The Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note (together with an Index Linked Interest Note, an "Index Linked Note"), an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest Basis and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2 NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: Subject to Condition 2(f) (*Closed Periods*), one or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and, to the extent reasonably expected to be prejudicial to the interests of the Noteholders, the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. New Certificates shall only be issued against surrender of the existing Certificates to a Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of a duly completed form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or any other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar or the relevant other Transfer Agent (as the case may be).

(e) **Transfers Free of Charge**: Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Issuer, the Registrar or the relevant other Transfer Agent may require) in respect of taxes or charges.

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days ending on (and including) any date on which Notes may be redeemed by the Issuer at its option pursuant to Condition 6, (iii) after any such Note has been put by the relevant Noteholder or (iv) during the period of seven days ending on (and including) any Record Date.

3 STATUS

The Notes and the Receipts and the Coupons relating to them constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4 NEGATIVE PLEDGE AND OTHER COVENANTS

(a) **Negative Pledge**: So long as any Note remains outstanding (as defined in the Fiscal Agency Agreement), each of the Issuer and/or the Bank will not, and will ensure that none of its Material Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Noteholders.

(b) **Reporting**: Where the NDRC Circular and/or the PBOC Circular applies to the Tranche of Notes to be issued, each of the Issuer and/or the Bank undertakes to provide or cause to be provided a notification of the requisite information and documents in connection with such Tranche of Notes to the NDRC, PBOC and/or SAFE within the prescribed timeframe after the relevant Issue Date in accordance with the NDRC Circular and/or the PBOC Circular.

In these Conditions:

"NDRC" means the National Development and Reform Commission of the People's Republic of China or its local counterparts;

"NDRC Circular" means the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time;

"Permitted Security Interest" means any mortgage, charge, lien, pledge or other security interest created or subsisting on any asset or property of the Issuer and/or the Bank or any Subsidiary (but excluding their own undertakings, revenues or share capital) to secure credit-linked debt securities, equity-linked debt securities or asset-backed securities issued by the Issuer and/or the Bank or any Material Subsidiary in accordance with normal market practice, or any guarantee or indemnity in respect of such securities;

"PBOC" means the People's Bank of China;

"PBOC Circular" means the Macro-Prudential Management of Cross-Border Financing in Full Aperture (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the PBOC and which came into effect on 12 January 2017, and any implementation rules as issued by the PBOC from time to time;

"PRC" means People's Republic of China (for the avoidance of doubt hereof not including the Hong Kong Special Administrative Region, Macau Special Administrative Region or Taiwan);

"Relevant Indebtedness" means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which are, or are issued with the intention on the part of the issuer thereof to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market outside the PRC (whether or not initially distributed or by way of private placement), except any securities with a maturity of less than one year; and

"SAFE" means the State Administration of Foreign Exchange of the PRC or its local counterparts.

5 INTEREST AND OTHER CALCULATIONS

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Index Linked Interest Notes**:

(i) ***Interest Payment Dates***: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "Interest Payment Date" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) ***Business Day Convention***: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) ***Rate of Interest for Floating Rate Notes***: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin, if any. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(1) the Floating Rate Option is as specified hereon;

(2) the Designated Maturity is a period specified hereon; and

(3) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(1) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or, in the case of CNH HIBOR, 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as of 2.30 p.m. (Hong Kong time), on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon;

(2) if the Relevant Screen Page is not available or if sub-paragraph (B)(1)(I) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (B)(1)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate and, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(3) if sub-paragraph (B)(2) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, in the case of CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on

the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) ***Rate of Interest for Index Linked Interest Notes***: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined by the Calculation Agent in the manner specified hereon and interest will accrue by reference to an index or formula as specified hereon.

(c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Dual Currency Notes**: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined by the Calculation Agent in the manner specified hereon.

(e) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest, Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(h) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

In the case of Notes represented by a Global Note or Global Certificate, interest shall be calculated in respect of any period by applying the Rate of Interest to the total aggregate outstanding nominal amount of the Notes represented by such Global Note or Global Certificate.

(i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of

Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition 5 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and the Noteholders.

(j) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

(i) in the case of Notes denominated in a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated in euro, a day on which the TARGET System is operating (a "TARGET Business Day"); and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes denominated in a currency and/or one or more Business Centres specified hereon, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"Calculation Amount" means the amount by reference to which the Interest Amount, Final Redemption Amount, Early Redemption Amount and Optional Redemption Amount are calculated as specified hereon.

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual – ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30.

(vi) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\textit{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(vii) if "30E/360 (ISDA)" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30.

(viii) if "Actual/Actual – ICMA" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(1) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods normally ending in any year; and

(2) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Periods normally ending in any year,

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"Determination Date" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"Interest Amount" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon.

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling, Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, euro, Hong Kong dollars, Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR provided that in this definition, "Business Day" shall mean a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London or Hong Kong (as the case may be).

"Interest Period" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon.

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon.

"ISDA Benchmarks Supplement" means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified hereon)) published by the International Swaps and Derivatives Association, Inc.

"ISDA Definitions" means the 2006 ISDA Definitions, as amended and supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon and, if specified as such hereon, as supplemented by the ISDA Benchmarks Supplement.

"Rate of Interest" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions hereon.

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Renminbi in the Hong Kong inter-bank market, in each case selected by the Calculation Agent or as specified hereon.

"Reference Rate" means the rate specified as such hereon.

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for it or them hereon and for so long as any Note is outstanding (as defined in the Fiscal Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or, if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption

Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6 REDEMPTION, PURCHASE AND OPTIONS

(a) **Redemption by Instalments and Final Redemption**:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within Condition 6(a)(i), its final Instalment Amount.

(b) **Early Redemption**:

(i) ***Zero Coupon Notes***:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) (as applicable) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such

Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) ***Other Notes***: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or Condition 6(d) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by an authorised signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer**: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders**: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any other Transfer Agent at its specified office, together with a duly completed option exercise notice (an "Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any other Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Fiscal Agency Agreement) without the prior consent of the Issuer.

(f) **Partly Paid Notes**: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 6 and the provisions specified hereon.

(g) **Purchases**: The Issuer, the Bank and its Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Such Notes may, at the option of the Issuer, be held, reissued, resold or surrendered to the Fiscal Agent for cancellation.

(h) **Cancellation**: All Notes purchased by or on behalf of the Issuer, the Bank or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7 PAYMENTS AND TALONS

(a) **Bearer Notes**: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a bank; and

(ii) in the case of Notes denominated in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong.

In this Condition 7, "bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System or, in the case of Renminbi, in Hong Kong.

(b) **Registered Notes**:

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(iii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifth (in the case of Notes denominated in Renminbi) and fifteenth (in the case of Notes denominated in a currency other than Renminbi) day before the due date for payment thereof (the "Record Date") and in the manner provided in Condition 7(b)(iii) below.

(iii) Payments of principal or interest, as the case may be, on each Registered Note shall be made:

(x) in the case of a currency other than Renminbi, in the relevant currency by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(iii), "registered account" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

Payment of interest or principal by the CMU Lodging and Paying Agent to the person for whose account a relevant interest in the Global Certificate is credited as being held by the CMU Service at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the relevant CMU rules) or any other relevant notification by the CMU Service shall discharge the obligations of the Issuer in respect of that payment.

(c) **Payments in the United States**: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments subject to Fiscal Laws**: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in Hong Kong or any other place of payment, but without prejudice to the provisions of Condition 8 and any withholding or deduction required pursuant to an agreement described in Section 147 1(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents**: The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar and the Transfer Agents appointed under the Fiscal Agency Agreement and any Calculation Agent(s) appointed in respect of any Notes act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, in each case in accordance with the Fiscal Agency Agreement, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes outside the United Kingdom, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require, and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons**:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relevant unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons**: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days**: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Hong Kong and the relevant place of presentation (if presentation and/or surrender of such Note, Receipt or Coupon is required) in such jurisdictions as shall be specified as "Financial Centres" hereon and:

(i) (in the case of a payment in a currency other than euro or Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in Renminbi) on which commercial banks and foreign exchange markets in Hong Kong are open for business and settlement of Renminbi payments; or

(iii) (in the case of a payment in euro) which is a TARGET Business Day.

8 TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within a Tax Jurisdiction or any political subdivision or any authority therein or thereof having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of the Notes, Receipts and the Coupons, unless such withholding or deduction is required by law.

In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with the relevant Tax Jurisdiction other than the mere holding of the Note, Receipt or Coupon; or

(b) **Lawful avoidance of withholding**: to, or to a third party on behalf of, a holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority; or

(c) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth day.

As used in these Conditions:

(i) "Relevant Date" in respect of any Note, Receipt or Coupon means whichever is the later of (a) the date on which payment in question first becomes due and (b) if the full amount payable has not been paid on or prior to such due date, the date on which the full amount has been paid and notice to that effect has been given to the Noteholders; and

(ii) "Tax Jurisdiction" means the PRC, Hong Kong or any other jurisdiction in which the Issuer is organised or tax resident or in each case any political subdivision or any authority therein or thereof having power to tax.

References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition 8.

For the avoidance of doubt, the Issuer's obligation to pay additional amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on the Notes, the Receipts or the Coupons; provided that the Issuer shall pay all stamp or other taxes, duties, assessments or other governmental charges, if any, which may be imposed by the Tax Jurisdiction or any political subdivision thereof or any taxing authority thereof or therein, with respect to the Fiscal Agency Agreement or as a consequence of the issuance of the Notes, the Receipts or the Coupons.

9 PRESCRIPTION

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10 EVENTS OF DEFAULT

If any of the following events (each an "Event of Default") occurs and is continuing, any Noteholder may give notice to the Issuer at the specified office of the Fiscal Agent that any Note held by it is and shall immediately become, due and payable at the Early Redemption Amount of such Note together with accrued interest (if any) to the date of payment without further formality:

(a) **Non-Payment**: The Issuer fails to pay the principal of or any premium (if any) or interest on any of the Notes when due and, in the case of any premium (if any) or interest, where such failure continues for a period of 14 days; or

(b) **Breach of Other Obligations**: The Issuer does not perform or comply with any one or more of its other obligations in the Notes or the Deed of Covenant which default continues for a period of 45 days after written notice of such default shall have been given to the Issuer by the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Acceleration**: Any other present or future Public External Indebtedness of the Bank or any of its Subsidiaries becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof, or any such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period, provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds U.S.$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank of the day of which this paragraph operates); or

(d) **Insolvency**: The Bank or any of its Material Subsidiaries is (or is, or could be deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Bank or any of its Material Subsidiaries; or

(e) **Winding-up**: An order is made or an effective resolution passed for the winding-up or dissolution or administration of the Bank or any of its Material Subsidiaries, or the Bank ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Noteholders, or (ii) in the case of a Material Subsidiary of the Bank, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Bank or another of its Subsidiaries; or

(f) **Illegality**: It is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Deed of Covenant;

In these Conditions:

"Material Subsidiary" means a Subsidiary of the Bank whose total assets or total revenue as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for five per cent. or more of the consolidated gross assets, consolidated gross revenue or consolidated net profit of the Bank as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to another Subsidiary of the Bank, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer.

"Public External Indebtedness" means any indebtedness of the Bank (or, for the purposes of Condition 10, any Subsidiary), or any guarantee or indemnity by the Bank of indebtedness, for money borrowed which, is in the form of or represented by bonds, notes, debentures, loan stock or other securities which are, or are issued outside the PRC with the intention on the part of the issuer thereof to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market outside the PRC (whether or not initially distributed or by way of private placement), except any securities with a maturity of less than one year.

"Subsidiary" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Bank.

None of the Agents shall be required to take any steps to ascertain whether any Event of Default has occurred and none of them shall be responsible or liable to the Noteholders, the Issuer or any other person for any loss arising from any failure to do so.

11 MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Noteholders**: The Fiscal Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum Rate of Interest, Instalment Amount or Redemption Amount, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the Noteholders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Fiscal Agency Agreement**: The Bank and the Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if:

(i) to do so could not be expected to be materially prejudicial to the interests of the Noteholders; or

(ii) such modification is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

12 REPLACEMENT OF NOTES, CERTIFICATES, RECEIPTS, COUPONS AND TALONS

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13 FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities having the same terms and conditions as the Notes (except for the first payment of interest and if applicable, the timing for notification to the NDRC, PBOC and/or SAFE and save that for the avoidance of doubt, references in these Conditions to "Issue Date" shall be the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14 NOTICES

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong or, so long as Notes are listed on The Hong Kong Stock Exchange Limited (the "Hong Kong Stock Exchange"), and the rules of that Exchange so require, notices to holders of the Notes shall also be published in a daily newspaper with general circulation in Hong Kong. If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate, except that if the Notes are listed on the Hong Kong Stock Exchange, and the rules of the Hong Kong Stock Exchange so require, notice will in any event also be published on the website of the Hong Kong Stock Exchange.

15 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

16 CURRENCY INDEMNITY

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

17 GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("Proceedings") may be brought in such courts. The Issuer irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to the Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Waiver of Immunity**: The Issuer further irrevocably agrees that no immunity (to the extent that it may now or hereafter exist, whether on the grounds of sovereignty or otherwise) from any Proceedings or from execution of judgment shall be claimed by or on behalf of it or with respect to its assets, any such immunity being irrevocably waived by the Issuer, and the Issuer irrevocably consents generally in respect of any such Proceedings to the giving of any relief or the issue of any process in connection with any such Proceedings including, without limitation, the making, enforcement or execution against any property whatsoever of any order or judgment which may be made or given in such Proceedings.

USE OF PROCEEDS

Unless otherwise specified in the Pricing Supplement, the net proceeds of each issue of the Notes will be used by the Issuer for its general corporate purposes.

RISK FACTORS

Investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Bank and the Group may be adversely affected by any of these risks. The risks described below are not the only ones relevant to the Bank, the Group or the Notes. The Bank believes the risks described below represent the principal risks inherent when considering an investment in the Notes. Additional risks and uncertainties not presently known to the Bank, or which the Bank currently deems immaterial, may also have an adverse effect on an investment in the Notes. All of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.

The statements below regarding the risk factors of holding any Notes may not be exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE BANK'S LOAN PORTFOLIO

If the Bank is unable to effectively maintain the quality of its loan portfolio, its business, financial condition and results of operations may be materially and adversely affected

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Bank's loans and advances were RMB672.9 billion, RMB865.2 billion, RMB1,030.2 billion and RMB1,129.8 billion, respectively. As at the same dates, the Bank's non-performing loan ratio was 1.2 per cent., 1.2 per cent., 1.4 per cent. and 1.4 per cent., respectively. There is no assurance that it will be able to maintain or lower its current non-performing loan ratio in the future. Due to the general circumstances of the PRC economy and the Bank's ability to maintain and/or improve the quality of its loan portfolio, the loan portfolio may be adversely affected, and the amount of non-performing loans may increase.

Moreover, actual or perceived deterioration of the creditworthiness of borrowers, a slowdown of economic growth in the PRC, reduced profitability or cash flows of corporate borrowers or the unemployment of individual borrowers, may cause the Bank's asset quality to deteriorate and may lead to significant increases in its allowance for impairment losses on loans. If the Bank's non-performing loans or its allowance for impairment losses on loans increase in the future, its asset quality, financial condition and results of operations may be materially and adversely affected. In addition, the Bank's sustainability depends largely on its ability to effectively manage credit risks and maintain and improve the quality of its loan portfolio. There is no assurance or guarantee that its credit risk management policies, procedures and systems will be effective and have no defects. If the Bank's credit risk management policies, procedures and systems fail to achieve the desired results, deterioration in the quality of its loan portfolio may occur and non-performing loans may increase, and further, its asset quality, its financial condition and results of operations may be affected.

The Bank's revenue is primarily derived from interest income. The growth of the Bank's loan portfolio may be influenced by the economic environment and other macroeconomic conditions in the PRC, such as GDP growth, inflation rates, interest rate changes and the changes to laws, regulations and rules associated with the banking and financial industries. As a result, there is no assurance that it will have the ability to maintain the growth of its loan portfolio in the future.

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

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

As at 31 December 2017, 2018, 2019 and 30 June 2020, the Bank's allowances for impairment losses on loans were RMB23.1 billion, RMB28.2 billion, RMB31.2 billion and RMB32.4 billion, respectively. As at the same dates, the Bank's allowances to total loans were 3.4 per cent., 3.3per cent., 3.0 per cent. and 2.9 per cent., respectively. The Bank's allowance to non-performing loans, which is the balance of its allowance for impairment losses as a percentage of the balance of its non-performing loans, was 296.9 per cent., 270.4 per cent., 220.8 per cent. and 208.8 per cent. as at the same dates, respectively. The increase in the Bank's allowance for impairment losses on loans was mainly due to the growth of its business and its prudent provision policies. An effect of the coronavirus disease 2019 ("**COVID-19**") pandemic was the regulatory requirement on the banking industry to strengthen write-offs of non-performing loans. The Bank's accelerated write-off process led to a decrease in the Bank's allowance to non-performing loans. The Bank's allowance to non-performing loans remains at the mid-high range amongst listed joint-stock banks in the PRC.

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

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

The collateral, pledges or other securities securing the Bank's loans may not be sufficient or fully realised

A significant portion of the Bank's loans are secured by collateral, pledges or guarantees. As at 30 June 2020, 45.5 per cent., 11.7 per cent. and 16.2 per cent. of the Bank's loans to customers were secured by mortgages, pledges and guarantees, respectively. The mortgages and pledges securing the Bank's loans to customers primarily comprise real estate, commercial assets and financial instruments, such as stocks and bonds. The value of the collateral and pledges securing the Bank's loans is generally higher than the loan amount. However, the value of the collateral and pledges may significantly fluctuate and decline due to various factors beyond the Bank's control, including factors affecting the macro economy of the PRC. For example, a slowdown in the PRC economy or changes in its macroeconomic policies may lead to a downturn in the real estate market, which may result in a decline in the value of the real estate securing the Bank's loans to customers to a level below the outstanding principal and interest of such loans. In addition, volatility in the PRC stock markets may also result in declines in the value of the shares securing the Bank's loans to customers to a level below the outstanding principal and interest of such loans.

There is no assurance that its assessment of the values of any collateral or pledges will be accurate or up-to-date. If the Bank collateral and pledges are proven to be insufficient to cover the related loans, it may require borrowers to provide additional collateral and pledges. However, there is no assurance that the Bank will be able to obtain such additional collateral and pledges. Declines in the value of the Bank collateral and pledges, or its inability to obtain additional collateral and pledges, may result in additional allowances for impairment losses on loans, which may materially and adversely affect its asset quality, financial condition and results of operations.

The procedures for liquidating or otherwise realising the value of collateral and pledges may be protracted in the PRC and it may be difficult to enforce claims in respect of such collateral. As a result, it may be difficult and time-consuming for the Bank to take control of or liquidate the collateral and pledges that secure non-performing loans. For example, the Bank may not evict a borrower or his or her dependents from his or her mortgaged residence during the six-month grace period after the court approves settlement of a loan against such property. In addition, under certain circumstances, the Bank's security interest in the collateral may be subordinated to the rights of certain other parties. Any of the foregoing could adversely affect the Bank's ability to realise the value of the collateral that secures its loans in a timely manner, or at all. If the Bank is unable to fully realise the value of the collateral and pledges securing its loans to customers in a timely manner, its asset quality, financial condition and results of operations may be materially and adversely affected.

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

As at 30 June 2020, unsecured loans accounted for 18.2 per cent. of the Bank's total loans to customers. The Bank grants unsecured loans primarily based on its credit evaluations of borrowers. There is no assurance that its credit evaluations of such borrowers are accurate now or will be accurate in the future, or that these borrowers will make repayments in full when due. As the Bank may only bring general claims against unsecured loan borrowers and have no priority with respect to their property, it may be unable to collect such loans, which may in turn materially and adversely affect its business, financial condition and results of operations.

The Bank has a degree of concentration of loans in certain industries. Any significant or consistent downturn in any of these industries or any deterioration in the financial condition or results of operations of its customers and borrowers in these industries could materially and adversely affect its business, financial condition, results of operations and prospects

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Bank's corporate loans accounted for 77.1 per cent., 69.7 per cent., 66.0 per cent. and 65.80 per cent. of its total loans and advances to customers, respectively. As at 30 June 2020, the top four industries that the Bank granted corporate loans to were (i) the manufacturing industry, (ii) the wholesale and retail industry, (iii) the leasing and commercial services industry, and (iv) the real estate industry. As at the same date, the Bank's loans to such industries represented 10.7 per cent., 9.3 per cent., 14.6 per cent. and 14.3 per cent., respectively, of its total outstanding corporate loans. A significant or protracted downturn in any of the industries in which the Bank's loans are concentrated may adversely affect its loans to borrowers in those industries, which may in turn increase the number of its non-performing loans, and as a result, may materially and adversely affect its business, asset quality, financial condition, results of operations and prospects.

As at 30 June 2020, the Bank's relevant loan concentration ratios met the respective regulatory requirements of the CBIRC.

Loans to small and micro enterprises expose the Bank to certain risks

As at 30 June 2020, the national-standard small and micro enterprise loan balance of the Bank was RMB187.2 billion, representing 16.7 per cent. of the Bank's total loans. The Bank's small and micro enterprises business is one of the businesses it focuses on. Given its size, small and micro enterprises may lack the necessary financial or management resources to withstand the adverse effects of significant economic fluctuations or changes in the regulatory environment. As a result, the Bank is more vulnerable to macroeconomic recessions. In addition, small and micro enterprises typically have less financial transparency when compared with larger enterprises. If the Bank is unable to accurately assess the credit risk of its small and micro enterprise customers, the number of its non-performing loans may increase as a result of economic downturns or unfavourable changes in the regulatory environment which affect its small and micro enterprise customers. This, in turn, may materially and adversely affect the Bank's business, financial condition and results of operations.

The Bank has adopted specific measures to control the non-performing loan ratio for its loans to small and micro enterprise customers. However, there is no assurance that any measures taken by it will be effective or sufficient to control the non-performing loan ratio for its loans to small and micro enterprise customers. In addition, there is no assurance that the non-performing loan ratio for its loans to small and micro enterprise customers will not increase in the future. If such ratio increases, it could have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

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

The Bank is exposed to risks associated with the PRC real estate market, especially from corporate loans to the real estate industry, personal residential mortgage loans and other loans secured by real estate. As at 30 June 2020, the Bank's corporate loans to the real estate industry accounted for 14.3 per cent. of the balance of its total outstanding corporate loans, and its personal residential mortgage loans accounted for 23.2 per cent. of its total outstanding personal loans. The PRC government has imposed, and may continue to impose, macroeconomic policies to regulate and slow down rapid growth in the real estate market. In turn, these measures may slow down the growth of the Bank's loans to, and negatively affect the financial condition, liquidity and repayment capabilities of, its customers in the real estate industry. These measures may also reduce the demand for residential mortgage loans in the PRC. In addition, any significant or continued decline in property prices in the PRC may have a material adverse effect on the asset quality of the Bank's corporate loans to customers in the real estate industry and personal residential mortgage loans. If the real estate market in the PRC experiences a significant downturn, the value of the collateral, i.e., the real property that secures the Bank's loans, may decrease, which could in turn result in a reduction in the amount it could recover on any defaulting loans secured by real estate. The Bank has taken measures to control its risks relating to the real estate industry. There is no assurance that any measures taken by it will be effective or sufficient to protect it against the effects of any downturn in the PRC real estate market. As a result, any significant or protracted recession in, or change in national policies affecting the real estate market in the PRC may have a material adverse effect on the Bank's business, prospects, asset quality, financial condition and results of operations.

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

Like other commercial banks in the PRC, the Bank provides loans to local government financing vehicles. Such loans are mainly used to invest in imperfectly competitive areas such as urban infrastructure, transportation construction and operation, and social public services.

Due to the restrictions imposed by the PRC laws and regulations, local governments cannot provide guarantees for local government financing vehicles. Since 2010, the State Council, the CBIRC and the PBOC, along with several other PRC regulatory authorities, have promulgated a series of notices, guidelines and other regulatory measures that instruct the PRC banks and other financial institutions to strengthen their risk management measures regarding loans to local government financing vehicles. The Bank has adopted measures to control its risk exposure with respect to local government financing vehicles. Macroeconomic recessions, adverse changes in government policies or other factors beyond the Bank's control may adversely affect the repayment capabilities of local government financing vehicles, and as a result, may increase its allowance for impairment losses and materially and adversely affect its asset quality, financial condition and results of operations.

The Bank's loan classification and impairment loss provision policies may be different in certain aspects from those applicable to banks in other countries or regions

The Bank classifies its loans through a five-category classification system in accordance with the guidelines of the CBIRC. The five categories are "pass", "special mention", "substandard", "doubtful" and "loss". The Bank currently assesses the impairment of its loans and investment assets under IFRS 9. The determination of impairment requires its management to exercise significant judgment and discretion. A loan which is considered significant (on a stand-alone basis) with unique credit characteristics is assessed individually for impairment losses. The Bank conducts impairment tests individually or as part of a group of assets on single financial assets that are not consider significant. The financial assets that were not considered impaired after being tested individually (including significant (on a stand-alone basis) and insignificant financial assets), shall be further tested in the group of financial assets with similar credit risk characteristics. The Bank's five-category classification policies and provision policies may be different in certain aspects from banks in other countries or regions. As a result, if the classification policies of banks in other countries or regions were applied to the Bank, the risk level that would be reflected would be different from its risk profiles as they currently appear.

RISKS RELATING TO THE BANK'S BUSINESS

The Bank is subject to risks of having its business concentrated in the Yangtze River Delta Area and the uncertainties relating to government policies promoting the development of the Yangtze River Delta Area. Any unfavourable change to the economic development or social conditions of the Yangtze River Delta Area may materially and adversely affect the Bank's business, financial condition, results of operations and prospects

Although the Bank is a nationwide joint-stock commercial bank, its deposits, loans business and operations are mainly concentrated in the Yangtze River Delta Area, and in particular in Zhejiang. If the economic growth in the Yangtze River Delta Area slows down, or if any material adverse changes in the economic environment arise or any severe catastrophic events occur in the Yangtze River Delta Area, the Bank's business, financial condition and results of operations could be materially and adversely affected.

The Bank currently benefits from favourable policies adopted by the central and local governments, with respect to the innovation of financial institutions, products and service modes, introduction of financial talents, improvement of financial industry development and financial service level, to boost the economic development of the Yangtze River Delta Area. However, there is no assurance that the government will maintain such favourable policies, or that it will continue to benefit from them. Any discontinuation of or unfavourable changes to such policies may materially and adversely affect the Bank's business, financial condition and results of operations.

There is no guarantee that it will be able to maintain its historical growth rates

Since 2014, the business of the Bank has grown at a fast rate. As at 30 June 2020, the total assets of the Bank amounted to RMB1,990.6 billion, representing an increase of 10.5 per cent. from RMB1,800.8 billion as at 31 December 2019. For the six months ended 30 June 2020, the Bank recorded an operating income of RMB25.2 billion, representing an increase of 11.6 per cent. on a period-on-period basis, of which net interest income amounted to RMB18.0 billion, representing an increase of 12.6 per cent. on a period-on-period basis, and net non-interest income amounted to RMB7.2 billion, representing an increase of 9.0 per cent. on a period-on-period basis. For the six months ended 30 June 2020, net profit attributable to shareholders of the Bank amounted to RMB6.8 billion, representing a decrease of 10.0 per cent. on a period-on-period basis. The Bank's performance growth is affected by the macro-economy of the PRC, the relevant government policies and its product innovation capability, as well as a number of other factors. There is no assurance that such economic condition, policies or historical factors will continue to exist or continue to contribute to the growth of the results of its operations. As a result, there is no assurance that it will be able to maintain the rapid growth it has historically experienced.

The Bank mainly relies on the customer deposits to provide funds for its business and manage its liquidity. If the Bank fails to maintain the growth of its customer deposits or if there is a significant decrease in customer deposits, its liquidity, financial condition and results of operations may be materially and adversely affected

Customer deposits are the Bank's primary source of funding. As at 30 June 2020, the Bank's total deposits were RMB1,354.3 billion, representing an increase of 18.4 per cent. as compared to RMB1,143.7 billion as at 31 December 2019. The growth in customer deposits may be affected by various factors, including macroeconomic and political conditions, the popularity of investment alternatives, such as wealth management products, and the saving preferences of the Bank's retail banking customers, which are beyond its control. As a result, there is no assurance that the Bank will be able to maintain the growth of its customer deposits at a pace that is sufficient to support its business growth. In addition, the Bank may be subject to liquidity risks arising from the increasing competition with banks, asset management companies and other financial institutions for deposits from customers.

In addition, the Bank may face liquidity risk caused by a difference between the due dates of its assets and liabilities. The lower interest rates as compared to the inflation rate and the rapid development of alternative investment products in the PRC have resulted in financial disintermediation in recent years, which has further resulted in customers withdrawing their deposits and turning them into direct investments. With the continuous development of the PRC capital markets and increasing diversity in investment products, there is no assurance that short-term deposits will still be a stable financing source for the Bank in the future.

If the Bank fails to maintain the growth rate of its customer deposits or if a substantial portion of its depositors withdraw their deposits or do not roll over their time deposits upon maturity, its capital reserve, liquidity, financial condition and results of operations could be materially and adversely affected. In such case, although the Bank may obtain financing from the inter-bank bond market, inter-bank lending and borrowing market and notes market to meet its liquidity needs, there is no assurance that it will be able to obtain additional funding at commercially reasonable costs and on commercially reasonable terms as and when necessary.

Inter-bank money market is a major platform where the Bank adjusts its short-term liquidity and conducts short-term fund allocation

Any fluctuation in liquidity or funding costs on the inter-bank money market, including those fluctuations as a result of financial or other crisis or material changes in the central bank's monetary policies affecting the liquidity of other banking institutions, may materially and adversely affect the Bank's ability to fund its business and manage its liquidity through the inter-bank money market at a reasonable cost, or at all.

However, there is no assurance that the Bank will comply with liability ratios and liquidity requirements all the time and it will not be subject to sanctions, fines or other penalties that may materially and adversely affect its business, financial condition or results of operations due to any non-compliance with applicable requirements, guidelines or regulations.

There is no assurance that the Bank will be successful in expanding its business, and the expansion of its products and services as well as its business as a whole may also expose it to new risks

In line with the Bank's growth strategy, it has devoted, and aims to continue to devote, significant resources to become a platform-based service bank and provide customers with comprehensive financial services. In addition, the Bank has focused on developing products and services through its blockchain technology. The platform-based services which the Bank has developed to serve its corporate banking customers include (1) pooled financing platform, (2) "Yiqiyin" ("易企銀") platform, (3) accounts receivable chain platform, (4) scenario application of the "Connect" ("通") series. Its five blockchain platforms consist of accounts receivable chain, over-the-counter trading, "Manifest Connect" ("倉單通"), "Tongyouyi" ("同有益") and individual financial management product transfer. Furthermore, the Bank has developed many specialised products for small and micro enterprises. In recent years, the Bank has launched specific products and services, including the "Export Pool" ("出口池") platform and the online-based product series "Easy Loan" ("點易貸"), which consists of sub-products and business models for different customer groups and different application scenarios. The Bank has also increased its number of products and services for enterprises operating in industrial parks, including the "Standard Plant Loan" ("標準廠房貸") and continued to upgrade its online applications to improve its online service capability. As such, the Bank is able to provide corporate customers with comprehensive services for various financial assets, including pooled services, custody services, settlement services, pledged financing services and credit extending services, all of which help enterprises obtain financing, lower costs and increase revenues. See "*Description of the Group*".

The Bank's main source of revenue is interest income, and it may not be able to increase its fee and commission income at the expected rate. The Bank has expanded, and aims to continue to expand, the products and services it offers to its customers. The Bank relies to a relatively higher extent on interest income as compared to large commercial banks and other nationwide joint-stock commercial banks in the PRC, while the proportion of non-interest income has increased rapidly. For the years ended 31 December 2017, 2018 and 2019 and the six months ended June 2019 and 2020, net interest income represented 71.2 per cent., 67.6 per cent., 72.9 per cent., 70.7 per cent. and 71.3 per cent., respectively, of the Bank's operating income. The expansion of the range of products and services the Bank offers has exposed it, and aims to continue to expose it, to new and potentially more challenging market and operational risks.

Further expansion of the Bank's business activities is subject to a number of risks and challenges, including:

- Failure to promptly identify and expand into new areas of business to meet the increasing demand for certain products and services, and as a result, failure to maintain its market share or lose some of its existing customers;

- Insufficient experience or expertise with respect to certain new products and services may prevent it from having a competitive advantage in these areas;

- Failure of its new products and services to gain the recognition of its customers or meet its expected profitability;

- Homogenous products or services offered by other commercial banks may erode its competitive advantage;

- Insufficient financial, operational, management and other resources to support its expanded range of products and services;

- Failure to hire new personnel or retrain current personnel to enable it to conduct new business activities;

- Failure to provide satisfactory customer service, such as providing sufficient products and service information and handling customer complaints;

- Future policies or regulations of the PRC government may limit its ability to provide new products or services;

- Inability to obtain regulatory approvals for its new products or services; and

- Failure to improve its risk management, internal control capabilities and information technology systems to support a broader range of products and services.

Any failure to expand or develop the Bank's business scope, products and services to achieve their intended results could have a material adverse effect on its business, financial condition, results of operations and prospects. In addition, if the Bank is unable to expand its range of products and services and offer more fee- and commission-based products and other non-interest income products and services, it may continue to rely heavily on interest income and may face pressure from greater competition among banks and lower net interest margins due to interest rate liberalisation in the future. See *"– Risks Relating to the PRC Banking Industry – Interest rate liberalisation and other market risks arising from changes in the regulatory environment in the PRC banking industry may materially and adversely affect the Bank's results of operations*". As a result, the Bank's business, financial condition and results of operations could be materially and adversely affected.

There is no assurance that the Bank will continue the geographical expansion of its business, and the expansion of the geographical coverage of its products and services, as well as its business as a whole, may expose it to new risks

The Bank is required to comply with the requirements of the PRC regulatory authorities and obtain the relevant regulatory approvals to further develop its business outside of the regions in which it currently operates. The Bank may not be able to obtain such approvals or may otherwise fail to successfully establish branches in other areas outside of Zhejiang. As at 30 June 2020, the Bank has established 260 branch outlets in 19 provinces and municipalities directly administered by the PRC government and Hong Kong. The network of the Bank covers all prefecture-level cities within Zhejiang, the Yangtze River Delta Area, the Bohai Rim Area, the Pearl River Delta Area and certain other areas in Central and Western China and Hong Kong, which allowed it to accumulate experience with respect to cross-regional operations. However, as compared to large commercial banks and other nationwide joint-stock commercial banks in the PRC, the Bank may not have advantages in terms of asset size, number of branches and talent. Moreover, in regions where it intends to expand its business, a commercial banking system may have already been established. As a result, the Bank may face intense competition in many respects, including for customers, capital, services, technology and talent.

In addition, in the Bank's cross-regional operations, it faces a number of other risks and challenges, including:

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

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

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

With the expansion of its business, products and services, the Bank may face significant challenges in risk management and may need to further improve its risk management system. The Bank's operations face a variety of risks, including credit risk, market risk, liquidity risk and operational risk. The Bank's risk management system is essential for maintaining its business operations and financial condition. In recent years, the Bank has formulated risk management measures for its principal business segments. See "*Risk Management*". However, there is no assurance that its risk management policies and procedures will be adequate to control all credit risk, market risk, liquidity risk, operational risk and other risks, or protect it from the impact of such risks. The Bank may not be able to identify these risks or these risks may turn out to be greater than what it expected or those of historical levels. In addition, in order to manage its risks effectively, it aims to continually update its risk management policies and procedures and may need additional time to implement them and assess their effectiveness. The Bank's risk management also relies on the effective execution of its policies and procedures by its employees. There is no assurance that all of its employees will comply with its risk management policies and procedures. Any violation of the above policies and procedures by the Bank's employees or any defect during the course of implementation may adversely affect the implementation of its risk management policies and procedures.

The Bank's risk management capabilities are limited to the information, tools and technologies available to it. In recent years, the Bank has introduced and optimised some of its risk management tools and systems, including its credit management system, credit detection system, customer risk statistics system and data submission system, in order to improve the effectiveness of its risk management. These systems are designed to enhance the Bank's ability to use quantitative measures to manage its risks. However, the Bank's ability to operate such systems and to monitor and analyse their effectiveness is still continuously being tested. Moreover, the Bank is still in the process of further developing information systems for certain risks, and there is no assurance that these systems will achieve their expected results.

There is no assurance that the Bank's various cost control policies and measures will be continuously and effectively implemented in the future or achieve their expected results

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Bank's cost-to-income ratio (which represents operating expenses (excluding taxes and surcharges) divided by operating income) was 32.0 per cent., 30.0 per cent., 26.4 per cent., 25.8 per cent. and 23.6 per cent., respectively. The Bank adheres to the principle of "cost saving and hard work" ("厲行節約、勤儉辦行") to manage its costs, and also focuses on cost efficiency and classified cost management in order to reasonably allocate its financial resources. However, there is no assurance that its cost control measures will be continually and effectively implemented in the future. In addition, the Bank may have to adjust its relevant cost control strategies and measures in accordance with the changing economic environment and its business development. If these strategies and measures fail to achieve their expected results, the Bank's operating costs may rise and its financial condition and results of operations may be materially and adversely affected.

The Bank may face difficulties in meeting regulatory requirements relating to its capital adequacy and other regulatory requirements in the future

Since 1 January 2013, the Bank has been required to maintain a minimum Core Tier 1 Capital Adequacy Ratio of 5 per cent., a minimum Tier 1 Capital Adequacy Ratio of 6 per cent. and a minimum Capital Adequacy Ratio of 8 per cent. pursuant to the minimum capital requirement contained in the Administrative Measures for the Capital of Commercial Banks promulgated by the CBRC. In addition, pursuant to the "Notice Regarding the Arrangement of Transition Period of Implementation of the Administrative Measures (Provisional) for the Capital of Commercial Banks" ("關於實施商業銀行資本管理辦法(試行)過渡期安排相關事項的通知") promulgated on 30 November 2012 by the CBRC, the Bank was required to gradually increase its Capital Adequacy Ratios (including capital conservation buffer) to achieve a minimum Core Tier 1 Capital Adequacy Ratio of 7.5 per cent., a minimum Tier 1 Capital Adequacy Ratio of 8.5 per cent. and a minimum Capital Adequacy Ratio of 10.5 per cent. by 31 December 2018. Pursuant to the "Measures for the Administration of the Leverage Ratio of Commercial Banks" ("商業銀行槓桿率管理辦法") promulgated by the CBRC, the Bank's leverage ratio was required to be at least 4 per cent. by the end of 2016. As at 30 June 2020, the Bank's Core Tier 1 Capital Adequacy Ratio, Tier 1 Capital Adequacy Ratio, Capital Adequacy Ratio and leverage ratio were 9.0 per cent., 10.3 per cent., 13.4 per cent. and 5.3 per cent., respectively. Certain factors could adversely affect the Bank's ability to comply with applicable capital adequacy requirements in the future, including (i) a decrease in its ability to raise additional capital as a result of the deterioration in its asset quality; (ii) an increase in its risk-weighted assets as a result of the expansion of its business; (iii) an increase in the risk weightings for certain asset classes proposed and implemented by the CBIRC from time to time or other changes that may be required by the CBIRC regarding the calculation of capital adequacy ratios of the PRC commercial banks; (iv) an increase in minimum capital adequacy requirements enforced by banking regulators, including the increase resulting from Basel III; (v) a decline in the value of its financial investments and (vi) a decrease in its net profit and retained earnings.

Although the Bank is currently in compliance with the capital adequacy requirements, there can be no assurance that CBIRC will not issue new regulations to heighten the capital adequacy ratios requirements. Any change in calculation of capital adequacy ratios by CBIRC may also affect the Bank's compliance with capital adequacy ratios. There can be no assurance that the Group will be able to meet these requirements in the future at all times. Furthermore, to meet the capital adequacy requirement imposed by regulators, the Bank may have to reduce the growth rate or scale of its loans and other assets, such as by selling or disposing of certain assets on terms which are unfavourable to it or inconsistent with its business plan, or by raising additional capital. If the Bank fails to meet the applicable capital adequacy requirements, the CBIRC may take regulatory and corrective actions, including limiting the growth of its loans and other assets, restricting its ability to issue capital bonds, disapproving of its applications to offer new services or geographical expansion, and limiting declarations or distributions of dividends. These actions could severely damage the Bank's reputation and have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, the Bank's ability to satisfy the existing capital regulatory requirements may be limited by numerous factors in addition to its financial condition, including (i) its future financial condition, results of operations and liquidity position; (ii) any government regulatory examinations and approvals; (iii) its credit rating; (iv) general market conditions for capital raising activities, and in particular, for commercial banks and other financial institutions and (v) economic, political and other conditions in and outside of the PRC. There is no assurance that it will be able to continue to meet the capital adequacy requirements that the PRC regulators may impose from time to time.

Moreover, the Bank is required to comply with other regulatory requirements of the CBIRC, such as the liquidity risk regulatory indexes imposed by the Measures for the Liquidity Risk Management of Commercial Banks (Provisional) (the CBIRC Decree No. 3 for 2018) ("商業銀行流動性風險管理辦法(中國銀行保險監督委員會令2018年第3號)"), which cover liquidity ratio and liquidity coverage ratio, net stable funding ratio, liquidity matching ratio and other liquidity risk monitoring reference indexes, for example, the core liability ratio, liquidity gap ratio. Moreover, the Bank is required to comply with any regulatory requirements which will be enforced in the future, such as the loan loss provision ratio it will be required to maintain pursuant to the Administrative Measures for the Loan Loss Reserves of Commercial Banks ("商業銀行貸款損失準備管理辦法"). In addition, starting from 2017, the PBOC will apply a new macro-prudential assessment system to the PRC commercial banks in order to allow the PBOC to better evaluate a broader range of factors impacting the performance of the PRC financial system, including banks' capital adequacy and leverage ratios, asset and liability ratios, liquidity, pricing of interest rates, asset quality and foreign debt risks. If the Bank fails to comply with the relevant regulatory requirements, the relevant regulators may issue warnings and reprimand the Bank and could require the Bank to take remedial measures including reducing the growth of its loan portfolio and disposal of assets, which may adversely affect the Bank's business, financial condition, results of operations and prospects.

The Bank is exposed to liquidity risk arising out of the mismatches between the maturities of its assets and liabilities, which may result in it being unable to meet its obligations in a timely manner and could materially and adversely affect its business, financial condition, results of operations and/or prospects

Since 2014, the liquidity gap relating to non-derivative financial assets and liabilities of the Bank classified as on demand has increased. Such increase in liquidity gap is mainly attributable to the Bank's adjustment of business strategy after assessment of its overall liquidity risk level, which resulted in an increasing proportion of its on-demand deposits (including customer deposits and deposits from other financial institutions). As at 30 June 2020, the Bank's on-demand/indefinite customer deposits (including corporate and personal deposits) was RMB585.6 billion, representing a 17.9 per cent. increase from RMB496.9 billion as at 31 December 2019. The deployment of funds from the Bank's on-demand deposits is subject to its overall arrangement on funds deployment and is not limited to investing in on-demand financial assets. Funds from the Bank on-demand deposits were mainly deployed to its loans and advances, investments in trust plans, asset management plans and wealth management products, which have terms of maturity. Given that such financial assets have terms of maturity, they cannot be counted towards on-demand financial assets to narrow the liquidity gap. For the Bank's risk management on liquidity risk, see "*Risk Management – Liquidity Risk Management*".

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

IFRS 9 and its amendments may require the Bank to change its provisioning practice for impairment of financial assets

The Bank currently assesses the impairment of its loans and investment assets under IAS 39. The determination of impairment requires its management to exercise significant judgment and discretion. The International Accounting Standards Board ("**IASB**"), which is responsible for developing and revising international accounting standards, issued IFRS 9 and its amendments from time to time, which will replace the accounting standards relating to classification, measurement and de-recognition of financial assets and financial liabilities under IAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. These standards will take effect on 1 January 2018. The major differences between IFRS 9 and IAS 39 are the measurement categories and the approach for classifying financial assets. The classification of financial assets under IFRS 9 will require the Bank to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Further, for financial assets that will be classified as "amortized cost" or "fair value through other comprehensive income" under IFRS 9, the Bank will be required to apply a new expected credit loss impairment model under IFRS 9, which, as compared to the incurred loss model in IAS 39, uses more forward-looking information and does not use the existence of an objective evidence of impairment as a precondition for recognising credit losses.

It is not practicable to provide a reasonable estimate of the effect or quantify the impact on the Bank's operating results and financial position until the Bank makes a detailed assessment as the new standard requires changes to systems and processes to collect necessary data. The Bank may change its current provisioning practice in the future in accordance with IFRS 9 and its amendments and any other future amendments to IAS 39 or similar standards, including any authoritative interpretive guidance on the application of such new or revised standards, which may in turn adversely affect the Bank's business, financial condition and results of operations.

The Bank may not be able to detect and prevent all fraud, corruption or other misconduct committed by its employees or third parties

Fraud, corruption or other misconduct committed by the Bank's employees or third parties may be difficult to detect or prevent and could subject it to financial losses and regulatory sanctions as well as seriously damage its reputation. Possible misconduct by the Bank's employees includes, but is not limited to, improper extension of credit, unauthorised business transactions, conducting business operations in breach of its internal policies and procedures, inappropriate accounting treatment, theft, bribery, corruption or embezzlement of customer funds and fraud. Possible misconduct by third parties against the Bank includes, but is not limited to fraud, theft and robbery. There were incidents of misconduct by the Bank's employees and by third parties against it in the past and there is no assurance that such incidents will not occur or will be detected and prevented in advance in the future. There is no assurance that all of its employees will fully comply with its risk management policies, measurements and procedures for preventing fraud and other misconduct or that it will always be able to identify and prevent all fraud and other misconduct by its employees and third parties. Future fraud or other misconduct by the Bank's employees and third parties could damage its reputation and have a material adverse effect on its business, financial condition, results of operations and prospects.

Competition from the internet finance industry may impact the Bank's deposit and loan businesses and could materially and adversely affect its business, financial condition and prospects

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

The Bank may not be able to properly identify and deal with conflicts of interest, which could materially and adversely affect its business

As the Bank expands the scope of its businesses and client base, it becomes increasingly important for the Bank to be able to address potential conflicts of interest, including situations where two or more interests within the Bank's businesses legitimately exist but are in competition or conflict with each other. The Bank may encounter conflicts of interest where (i) its services to a particular client or its own investments are in conflict, or are perceived to be in conflict, with the interests of another client; (ii) any of the non-public information the Bank obtains through business channels is disclosed to other business departments of the Bank; and (iii) the Bank may be a counterparty of an entity to which the Bank also provides financial services or with which it has other business relationships. The Bank's failure to prevent the imprudent use of information or manage conflicts of interest could harm its reputation and affect client confidence. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing situations could adversely affect the Bank's business, financial condition and results of operations.

The Bank's business depends on the proper functioning and continued improvement of its information technology systems

The Bank depends on its information technology systems to accurately process its transactions on a timely basis, and to store and process its business and operating data. The proper functioning of the Bank's core banking system, credit management system, financial management system and other IT systems, as well as the communication networks between its branches and sub-branches and its main data processing centres, is critical to its business and competitiveness. However, there is no guarantee that system failures caused by, among other things, natural disasters, power or communication failures, key hardware or system deficiencies and computer viruses would not cause major disruption to its business.

In addition, the secure storage and transmission of confidential information is crucial to the Bank's operations. The proper operation of the Bank's IT systems relies on the accuracy and reliability of the data which is entered into the systems, as well as the installation of auxiliary systems, and errors may occur when entering data or installing such systems. Any failure or delay that occurs when recording or processing the Bank's transaction data may expose the Bank to significant financial risks as well as risks of claims for losses and regulatory punishment. Moreover, the Bank's network and system may be exposed to unauthorised access and other security-related issues. There is no assurance that existing security arrangements will be able to prevent unforeseeable security vulnerability (including intrusion by unauthorised users and viruses) or other interference (such as interference caused by hardware or software defects and operator error or misconduct). These issues may jeopardise the confidential, proprietary and other information processed, stored and transmitted through its computer system and network or otherwise cause interference to, or failure of, its operations or the operations of its customers or other third parties, which in turn could result in financial losses, regulatory punishment, customer complaints, or even the loss of customers, and could materially and adversely affect its reputation and operating performance.

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

The Bank is subject to credit risk with respect to certain credit commitments and other off-balance sheet items

The credit commitments which are generated during the Bank's daily business but are not wholly reflected on its balance sheet according to applicable accounting principles include bank acceptance bills, loan commitments, letters of guarantee, letters of credit, block chain receivables confirmations and unused credit card limits. The Bank is subject to credit risks related to credit commitments and other off-balance sheet items because it must seek the repayment from the relevant customers once it has fulfilled such commitments. If the Bank cannot collect the relevant amounts from its customers in time, its financial condition and results of operations may be materially and adversely affected.

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

In recent years, the growth of deposits in the PRC banking industry has begun to slow down and competition for deposits among commercial banks has become increasingly intense. In response to such competition, the PRC commercial banks, including the Bank, have been expanding the scale and types of wealth management products offered to customers.

The Bank has invested the proceeds from its wealth management products mainly in money market instruments, bonds, non-standard debt assets and other equity products. As at 30 June 2020, substantially all of the Bank's unredeemed wealth management products were non-principal-protected, and it is not liable for any loss the investors may suffer from investing in such products. However, if the investors suffer losses, the Bank's reputation may be seriously damaged and it may also suffer loss of business, customer deposits or net income. In particular, there is no assurance that the mechanisms it puts in place to monitor the use and flow of proceeds from its wealth management products will be adequate and effective to prevent the relevant counterparties to use such proceeds in contravention of the relevant contractual arrangements and/or regulatory requirements, which may damage its reputation or result in losses in its investments of the proceeds from its wealth management products. Furthermore, the Bank may be required to bear the losses associated with such non-principal protected products if investors file lawsuits against it and the courts rules that it has been misrepresenting when selling such products.

In addition, since 2018, the PBOC and the CBIRC have released a number of policies, including the Guiding Opinions on Regulating the Asset Management Business of Financial Institutions (Yin Fa [2018] No. 106) (關於規範金融機構資產管理業務的指導意見(銀發[2018]106號)), and the Measures for the Supervision and Administration of the Wealth Management Business of Commercial Banks (Order No. 6 [2018] of the CBIRC) (商業銀行理財業務監督管理辦法(銀保監令2018年第6號)), strengthening the supervision of wealth management business of banks.

Issues relating to land use rights and building ownership may disrupt the Bank's ability to occupy and use certain properties it owns and/or lease from third parties

There is no assurance that the Bank will be able to obtain all relevant building ownership certificates and land use right certificates for the properties which are mainly used for its business operations and as offices. According to the Bank's PRC legal advisor, Zhejiang T&C Law Firm, the Bank may not transfer, mortgage or dispose of such properties until it obtains the relevant land use rights certificates and/or building ownership certificates. To acquire such certificates, the Bank will be required to bear all relevant costs itself. The Bank failure to obtain the relevant certificates for such properties may expose it to title disputes.

In addition, if the landlord of the properties that the Bank has leased fails to possess ownership of such properties or fails to obtain relevant authorisation documents confirming ownership of such properties, the Bank's ability to continue leasing such properties may be affected. In addition, there is no assurance that it will be able to renew its leasing agreements on acceptable terms, or at all, when they expire.

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

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

The Bank is required to comply with the PRC laws and regulations concerning anti-money laundering and anti-terrorism which require it to strictly enforce "know-your-customer" policies and incorporate criteria for identifying large and suspicious transactions into its anti-money laundering monitoring and reporting system. The Bank is also required to timely report large and suspicious transactions to the PRC Anti-Money Laundering Monitoring and Analysing Centre. Although the Bank has adopted policies and procedures that are intended to detect and prevent the use of its banking networks for money-laundering activities and by terrorists and terrorist related organizations and individuals, those policies and procedures may not completely eliminate the risk that third parties may use the Bank to engage in money laundering and other illegal or improper activities. For details regarding the Bank's risk management with respect to anti-money laundering, see "*Risk Management – Anti-Money Laundering Management*".

If the Bank fails to fully comply with applicable PRC laws and regulations, or if its customers use the Bank for money laundering or other illegal or improper purposes, it may be subject to fines and other penalties. In addition, if third parties conduct money laundering and other illegal or improper activities through the Bank, its business and reputation may be materially and adversely affected.

The Bank may be subject to sanctions or other penalties if it is involved in transactions that violate relevant economic sanctions regulations

The U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") is the principal government agency charged with administering and enforcing U.S. economic sanctions programs. It administers a range of economic sanctions, including broad embargoes against certain countries, such as Iran, Sudan and Syria (collectively, "**Sanctioned Countries**"), as well as sanctions against terrorists, international narcotics traffickers and individuals engaged in activities related to the proliferation of weapons of mass destruction. The U.S. has also imposed more targeted restrictive measures against certain listed persons and entities ("**Sanctioned Persons**"). These economic sanctions generally apply to U.S.

entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise that come within the jurisdiction of the United States, such as clearing U.S. dollar payments through a U.S. correspondent bank. Furthermore, U.S. persons can be prohibited from engaging in any transactions with a designated target of certain sanctions, including the purchase and sale of, and receipt of payments under, securities issued by such designated target. In addition, non-U.S. persons can potentially be penalised under U.S. secondary sanctions for engaging in some activities relating to Iran, its government or certain designated persons. Similar sanctions are administered by the United Kingdom, the European Union, the United Nations Security Council and other applicable jurisdictions.

Some of the Bank's customers were involved in commercial transactions involving counterparties located in Sanctioned Countries, such as Iran, Sudan and Syria, and in countries with a higher risk of the presence of Sanctioned Persons, such as Belarus, Cote d'Ivoire, Libya, Myanmar and Zimbabwe. The Bank processed a small amount of remittances for this type of customers in connection with commercial transactions but did not engage directly in any business activities in any above-mentioned countries. Since June 2013, the Bank has assessed the actual circumstances of a PRC state-owned enterprise being included in the sanction list, and pursuant to circumstances in which corresponding risks are manageable, the Bank provided a small amount of certain banking services to that enterprise. Such enterprise engaged in the import of crude oil from Iran. Subsequent to sanctions-related developments, the Bank ceased to provide cross border financial services to that enterprise since October 2018.

The Bank cannot predict with confidence the enforcement policy with respect to economic sanctions of the United States, the European Union or the United Kingdom, and it is possible that the relevant authorities will take a different view regarding the compliance measures than it has taken. Furthermore, laws, regulations or licensing policies with respect to economic sanctions could change in a way that could affect the Bank's business involving sanctioned countries. Non-compliance with current or future applicable sanctions laws and regulations could result in civil or criminal liability for individuals and entities within the Bank, the imposition of significant fines or other penalties, as well as negative publicity or reputational damage, and ability to conduct future business in the United States or with U.S. entities, or in other affected jurisdictions, could be affected. Any of the foregoing could have a material adverse effect on the Bank's business, financial condition and results of operations and the Bank's ability to make payments, and satisfy its other obligations, under the Notes may also be adversely affected.

The Bank may be involved in legal and other disputes from time to time arising out of its operations

The Bank is involved in legal and other disputes from time to time for a variety of reasons. Such disputes generally comprise loan disputes and claims arising out of its banking business. The majority of these cases arise in the ordinary course of the Bank's business. When the Bank assesses and discovers a risk of potential loss, it makes allowance for such loss according to its policies. There is no guarantee that the outcome of any of the litigation in which it is involved will be favourable to it. The Bank may have to manage various legal, administrative or other disputes and proceedings in the future, which may result in damage to its reputation, additional operational costs and a diversion of its resources and management's attention from its core business operations.

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

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

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

The Bank may fail to protect its intellectual property rights which may undermine its competitive position, and litigation to protect intellectual property rights may be costly

The Bank relies on a combination of trademarks, patents, domain names, copyright and other methods to protect its intellectual property rights. Nevertheless, the actions taken to protect the Bank's intellectual property rights may not be adequate to provide meaningful protection or commercial advantage. There can be no assurance that any patent, trademark, copyright will be issued or granted as a result of the Bank's applications or that, if issued, it will sufficiently protect the Bank's intellectual property rights. Implementation of the intellectual property-related laws in the PRC has historically been lacking, primarily because of ambiguities in the laws of the PRC and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in the PRC may not be as effective as in other countries. Policing unauthorised use of proprietary technology is difficult and expensive. The steps taken by the Bank may be inadequate to prevent the misappropriation of the Bank's proprietary technology. The Bank may fail to protect its intellectual property rights which may undermine its competitive position. Litigation relating to the Bank's intellectual property might result in diversion of resources and management attention and such litigation might be costly. In addition, the Bank has no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent the Bank is unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on the Bank's business, results of operations and financial condition.

RISKS RELATING TO THE PRC BANKING INDUSTRY

The Bank faces increasing competition from other banks and financial institutions in the PRC banking industry, as well as competition from alternative investment and financing channels

The PRC banking industry is becoming increasingly competitive. The Bank faces competition from domestic and foreign-invested banks and financial institutions. In addition, the Mainland and Hong Kong Closer Economic Partnership Arrangement, which allows Hong Kong banks to operate in the PRC, may also increase competition in the PRC banking industry. These banks and financial institutions compete with the Bank for substantially the same loan, deposit and fee customers. Moreover, the PRC government has, in recent years, implemented a series of measures designed to further liberalise the banking industry, including those relating to interest rates and fee-and-commission based products and services, which are changing the basis on which the Bank competes with other banks for customers. Competition in the PRC banking industry may be further aggravated by internet finance and the participation of private capital in the banking businesses. The increase in competition in the PRC banking industry may materially and adversely affect the Bank's financial condition and results of operations, as well as its business and prospects, in various ways, including by:

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

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

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

The PRC banking regulatory regime is continually evolving and the Group is subject to future regulatory changes

The Bank operates in a highly regulated industry and is subject to laws and regulations governing all aspects of its operations. The principal banking-related statutes and regulations are the Commercial Banking Law and the Law of PRC on Supervision and Administration of Banking Sector and the related implementation rules. The principal regulators of the PRC banking industry are the CBIRC, PBOC and SAFE.

The PRC banking regulatory regime has been evolving continuously. Changes in the rules and regulations as well as their interpretations may result in additional costs or restrictions on the Bank's operations and activities. For example, PBOC exercises significant influence over monetary policies.

In addition, the Bank may be required to increase deposit reserves in response to future potential changes in PBOC rules and regulations. The Bank may be required to take additional steps to adapt to future changes on a timely basis.

The Bank's business and operations are directly affected by changes in the PRC's policies, laws and regulations relating to the banking industry, such as those affecting the extent to which it can engage in specific businesses, as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking industry will not change in the future or that any changes will not materially and adversely affect the Bank's business, financial condition and results of operations nor can there be any assurance that the Bank will be able to adapt to any changes on a timely basis or at all. For instance, changes in the financial regulatory policies may have a material impact on the operational and financial results of the Bank, while adjustment in the monetary policies and the regulatory methods will have a direct impact on the business activities of the Bank. In recent years the PRC government has announced a number of supply-side reforms, including the reforms of small-small- and micro-sized financial institutions to improve their corporate governance and reduce systemic financial risks and credit risk and to proactively support continued healthy economic growth by increasing lending activities to small and medium-sized enterprises while effectively controlling risk. The Bank's business operations will be adversely affected if the Bank is unable to make proper adjustment to its business operations according to the trend of change in the financial regulatory policies and monetary policies. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Bank's activities and could also have a significant impact on its business.

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

Consistent with the economic development in the PRC, the PRC banking industry has experienced rapid growth. The Bank expects the PRC banking industry to further expand as a result of, among other things, the continued growth of China's economy, increases in household income, deregulation of interest rates, further liberalisation of exchange restrictions on the Renminbi and an increase in the number of fee-and-commission-based businesses. However, there is no assurance that the growth and development of the PRC banking industry will be sustainable. The global financial crisis and the European sovereign debt crisis resulted in a global economic downturn. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013. Furthermore, according to the National Statistics Bureau of the PRC, China's GDP experienced a contraction during the first half of 2020 as compared to the same period in 2019. It is uncertain whether China's economy and the PRC banking industry can maintain previous levels of growth.

In addition, the Bank's business focuses on the Yangtze River Delta Area, and there is no assurance that the PRC and the Yangtze River Delta Area banking industries will not be materially and adversely affected as a result of the increase in non-performing loan ratios.

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

Changes in liquidity and interest rates in the PRC inter-bank market could increase the Bank's financing cost, and adversely affect its liquidity as well as its financial condition

The Bank satisfies a portion of its liquidity needs via financing in the inter-bank market, and changes in liquidity and interest rates in the PRC inter-bank market have a relatively large impact on its financing costs. Due to the relatively short history of the PRC inter-bank market, short-term liquidity is prone to risks resulted from timing and incidents, thus causing volatility in market interest rates, such as the dramatic fluctuations in the inter-bank repurchase rates and offered rates, which occurred in June and July 2013. There is no assurance that inter-bank market interest rates will not experience additional volatilities. Any irregular volatility in interest rates and liquidity risks in the inter-bank market may have an adverse effect on the Bank's cost of funds and its liquidity.

Moreover, volatility in market interest rates may also have a relatively large impact on the value of the Bank's assets. As with most commercial banks, the Bank's results of operations depend to a great extent on the Bank's net interest income. For the six months ended 30 June 2020, net interest income represented 71.3 per cent. of the Group's operating income. For example, a significant increase in market interest rates may lead to a significant decrease in the fair value of the Bank's fixed income debt securities and may have a material and adverse effect on its financial condition and results of operations.

The effectiveness of the Bank's credit risk management is affected by the quality and scope of credit information available in the PRC

National credit information databases developed by PBOC have been in operation since January 2006. However, as the information infrastructure in the PRC is still under development and there remains limitations on the availability of information, national credit information databases are generally under-developed and are not able to provide complete credit information on many of the Bank's credit applicants. Until the PRC has further developed and fully implemented its nationwide unified credit information database on corporate borrowers, the Bank has to rely on other publicly available resources and its internal resources to supplement what is currently available on the nationwide unified credit information database for enterprises. These sources of data and information are not sufficiently complete or effective for the robust credit risk management system that the Bank attempts to build. Therefore, there can be no assurance that the Bank's assessment of the credit risks associated with any particular customer is based on complete, accurate and reliable information, which materially and adversely affects the Bank's ability to effectively manage its credit risk.

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

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

Interest rate liberalisation and other market risks arising from changes in the regulatory environment in the PRC banking industry may materially and adversely affect the Bank's results of operations

The Bank's financial performance depends to a large extent on its net interest income. For the years ended 31 December 2017, 2018 and 2019 and the six months ended June 2019 and 2020, net interest income represented 71.2 per cent., 67.6 per cent., 72.9 per cent., 70.7 per cent. and 71.3 per cent., respectively, of the Bank's operating income. The Bank's net interest income is sensitive to adjustments in the benchmark interest rates set by the PBOC.

In recent years, the PBOC has adjusted the benchmark interest rates many times. For example, it increased interest rates in 2010 and 2011 to restrain inflation and cool down the PRC economy, reduced interest rates in 2012, 2014 and 2015 in response to the global economic recession, and further reduced interest rates in 2019 and 2020 in response to a slowdown in economic growth due to the trade war with the United States and a significant decrease in global economic activity due to the spread of COVID-19. For example, as at 20 August 2020, the ceiling on private lending interest rate has been significantly lowered to 15.4 per cent., from the previous ceiling, which was set between 24.0 per cent. and 36.0 per cent. Changes in market interest rates could affect the interest rates of the Bank's interest-earning assets and interest-bearing liabilities to varying degrees. Any adjustments to the benchmark interest rates or any changes in market interest rates could cause its interest expenses to increase at a faster rate than its interest income, leading to a reduction in its net interest spread, which, in turn, could materially impact its financial condition and results of operations.

The PBOC has fully liberalised control over the lending rates for financial institutions since July 2013, and has done the same for the upper limit of interest rates for deposits with commercial banks and rural cooperative financial institutions since October 2015. If the existing regulations are substantially liberalised or eliminated, competition in the PRC's banking industry will likely intensify as the PRC's commercial banks seek to offer more attractive interest rates to customers. Further liberalisation by PBOC may result in the narrowing of the spread in the average interest rates between Renminbi-denominated loans and Renminbi-denominated deposits, thereby materially and adversely affecting the Bank's business, financial condition and results of operations which in turn may negatively affect the Bank's ability to service the Notes and to satisfy its other obligations under the Notes.

The Regulations on Deposit Insurance ("存款保險條例") were officially implemented on 1 May 2015. These regulations emphasise the protection of depositors' interests and may change the structure of deposits. The Regulations on Deposit Insurance require that the commercial banks and other deposit-taking banking financial institutions established in the PRC shall take out deposit insurance and pay deposit insurance premiums to relevant deposit insurance fund management institutions, with such premiums to be used as deposit insurance funds to compensate depositors in the event of the liquidation or similar event of any PRC bank. Under the deposit insurance scheme, upon the liquidation or similar event of any PRC bank, the maximum compensation that a depositor may receive on the total principal and accrued interest deposited with such PRC bank will be capped at RMB500,000.

The deposit insurance premiums to be paid by the Bank in accordance with the Regulations on Deposit Insurance ("存款保險條例") and other relevant laws and regulations will increase the Bank's operating costs and capital requirements. Furthermore, the deposit insurance scheme may increase competition among the PRC banks for deposits as some depositors may consider spreading out their deposits with different PRC banks as a result of the maximum compensation payable under the deposit insurance scheme in respect of each PRC bank. This may result in deposits currently held with the Bank being transferred by depositors to other PRC banks as well as the Bank having to offer higher interest rates to retain existing and attract new depositors, which may, in turn, materially and adversely affect the Bank's financial condition and results of operations.

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

Reputation is crucial to the successful operation of a bank. In recent years, media reports of, and public interest in, the poor management and incidents of misconduct of commercial banks are steadily growing. There is no guarantee that it will not become a target of negative reports in the media (including on the internet) or involved in such negative reports as a result of its business operations or the misconduct of its senior management or employees. Such negative reports on the Bank or its employees, whether correct or relevant or not, may have a material adverse effect on its reputation. As a result, the Bank's business, financial condition, results of operations and prospects, and the value of investors' investment, may be materially and adversely affected.

There is no assurance that the facts, estimations, and statistical information on China, China's economy and China's banking industry it provides in this Offering Circular are accurate

Certain facts and statistics in this Offering Circular relating to the PRC, its economy and its banking industry are derived from various official and publicly available sources generally believed to be reliable, like the PBOC, the CBIRC, International Monetary Fund, the NDRC, Statistical Bureau of Zhejiang and other provinces, or other public sources. While the Bank has taken reasonable care to ensure that the facts and statistics or information relating to the Bank and the Group presented are accurately extracted from such sources, such facts, statistics and information have not been independently verified by the Bank, the Hong Kong Branch, the Arrangers, the Dealers or any of their respective directors, employees, representatives, affiliates or advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up-to-date. In addition, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice or other reasons, the statistics herein may be inaccurate or may not be comparable from period to period or to statistics produced for other economies and should not be unduly relied upon.

RISKS RELATING TO THE PRC

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

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

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

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

The Bank conducts its business and generate all of its revenues in the PRC and Hong Kong. The economy of the PRC experienced rapid growth in the past 40 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. Furthermore, according to the National Statistics Bureau of the PRC, China's GDP experienced a contraction during the first half of 2020 as compared to the same period in 2019, representing the country's first contraction of GDP since the 1970s, as production and spending significantly decreased due to strict measures implemented by public health authorities to contain COVID-19. The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains high, and recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow down due to weakened exports. On 29 March 2017, the United Kingdom notified the European Council of its intention to formally withdraw from the European Union in accordance with Article 50(2) of the Treaty on European Union and on 31 January 2020, the United Kingdom formally left the European Union and became a third country to the European Union. The on-going political uncertainty as regards the structure of the future relationship between the United Kingdom and the European Union may create a negative economic impact and increase volatility in global markets. Furthermore, since 2018, the United States and China have been involved in a trade war. Both countries have implemented or proposed to implement tariffs on certain imported products from the other. Sustained tension between the United States and China over trade policies and diplomatic relations could significantly undermine the stability of the global economy and in turn, China's economy.

Any severe or prolonged slowdown or instability in the global economy may have a material adverse impact on the PRC economy. Any significant slowdown in the China's economy could have a material adverse effect on the PRC banking industry as well as the Bank's business and operations. In particular:

- during a period of economic slowdown, there is a greater likelihood that more of its customers and counterparties will default on their loan repayments or other obligations, which, in turn, could result in an increase in its non-performing loans, allowance for impairment losses on loans and write-offs, all of which would materially reduce its profit before tax;

- the value of its investments may significantly decline, which could materially and adversely affect its financial condition and results of operations;

- it may not be able to raise additional capital on favourable terms, or at all; and

- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in some economies and materially and adversely affect its business and prospects.

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

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

Interpretation and implementation of the PRC laws and regulations may involve uncertainties

The Bank is incorporated and exists under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC has promulgated laws and regulations dealing with legal relations in respect of such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, especially with respect to the PRC banking regulatory regime, these laws and regulations may be subject to different interpretations and inconsistently enforced. In addition, there is only a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value. These uncertainties relating to the interpretation and implementation of the PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to holders of the Notes.

For example, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) ("**NDRC Circular**") on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst case scenario, if pre-issue registration is required but not complied with, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes and the Notes might be subject to the enforcement as provided in Condition 10 (*Events of Default*). Potential investors of the Notes are advised to exercise due caution when making their investment decisions. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular.

On 11 January 2017, the PBOC promulgated the Circular on Issues concerning the Macro-prudential Management of Full-covered Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**2017 PBOC Circular**"). Under the 2017 PBOC Circular, financial institutions are required to file relevant operating rules and internal control policies and the details of the calculation of their outstanding foreign debt and foreign debt limit with PBOC or SAFE before making their first cross-border financing transaction and they are required to report to PBOC or SAFE of the amount of its capital fund and the financing agreement when a financing agreement is signed and before the drawdown of the loan or issue of debt securities, report its cross-border income after such drawdown, and report its cross-border payments after making interest or principal payments. In addition, financial institutions are also required to report to PBOC or SAFE on the fifth working day of each month on the foreign debt it has borrowed and the change in its outstanding foreign debt during the previous month. The Bank is one of the designated banks required to carry out the aforesaid reporting procedures. The 2017 PBOC Circular is a new regulation and is subject to interpretation and application by relevant PRC authorities. The 2017 PBOC Circular applies to the issue of Notes under the Programme by the Bank or its onshore branches, but does not explicitly state whether it applies to offshore branches of financial institutions incorporated in the PRC.

Further, for the purpose of calculating the risk-weighted cross-border financing balance as prescribed in the 2017 PBOC Circular, the foreign debt (including but not limited to the Notes) of offshore branches of financial institutions in the PRC are excluded from the calculation unless PBOC requires that the foreign debt be included if issue proceeds of the Notes is remitted into the PRC. If reporting is required but not complied with, PBOC and/or SAFE may, among other things, (a) issue a notice of censure, (b) request rectification within a time limit, (c) impose a penalty according to the Law of People's Republic of China on the People's Bank of China and the Regulation of the People's Republic of China on the Management of Foreign Exchanges, (d) suspend cross-border financing of the institution, and (e) collect risk reserves from the institution. In addition, in the worst case scenario, if reporting is required but not complied with, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes and the Notes might be subject to the enforcement as provided in Condition 10 (*Events of Default*). Any approval issued by the NDRC for Notes issued under the Programme is subject to interpretation and application by relevant PRC authorities and the above-described uncertainties that apply to the 2017 PBOC Circular also apply to such approval.

The Bank is subject to the approval or filing requirements in relation to issue of Notes from respective authorities within the PRC

On 11 January 2017, the PBOC published the 2017 PBOC Circular which applies to cross-border financing activities by companies and financial institutions (including banks) incorporated in the Mainland. According to the PBOC Notice, 27 Mainland banks (including the Bank) are required to make filings with the PBOC in respect of their offshore bonds offerings.

In addition, the Implementation Measures of the China Banking and Issurance Regulatory Commission for the Administrative Licensing Items concerning Chinese-Funded Commercial Banks (the "**CBIRC Measures**") (中國銀保監會中資商業銀行行政許可事項實施辦法) promulgated by CBIRC on 17 August 2018 also provides that an approval from CBIRC is required for financial bonds issuance by the joint-stock Chinese-funded commercial banks (including the Bank). Besides, in accordance with Commercial Banking Law of the People's Republic of China (中華人民共和國商業銀行法) and the Catalog of the People's Bank of China on Publishing Administrative Examination and Approval Items (中國人民銀行行政審批事項公開目錄) (collectively, the "**PBOC Catalog**"), the issuance of overseas financial bonds by commercial banks shall be approved by the PBOC.

In connection with the establishment of the Programme or any issuance by an overseas branch, the Bank has not made and does not intend to make any filing with the PBOC under the PBOC Notice or application for approval from CBIRC and the PBOC under the CBIRC Measures and the PBOC Catalog. As advised by the PRC legal advisors of the Bank, the establishment of the Programme (without any issuance hereunder) and the entering into of the contracts solely in connection with the establishment by the Bank does not amount to "cross-border financing activities" under the PBOC notice or "issuance of (overseas) financial bonds" under the CBIRC Measures and the PBOC Catalog. Similarly, an issuance by an overseas branch where the proceeds will not be remitted into the Mainland does not involve any "cross-border financing activities". Accordingly, none of the filing requirement under the PBOC Notice and the approval requirement under the CBIRC Measures and the PBOC Catalog applies.

To the extent and if the Bank or any of its branches which are located within the PRC issues Notes under the Programme or any overseas branch intends to remit any proceeds from any Note issue under the Programme to the Mainland, the Bank will make the requisite filing with the PBOC in compliance with the PBOC Notice and apply for CBIRC and PBOC's approval according to the CBIRC Measures and the PBOC Catalog.

The PBOC Notice is a newly published regulation. The PBOC has yet to publish any detailed implementation rules and guidance on the PBOC Notice. The aforementioned views are based on the PRC legal advisors' understanding and interpretation of the PBOC Notice, the CBIRC Measures, the PBOC Catalog and informal verbal enquiries with them. There is no assurance that PBOC and/or CBRC would take the same view or the PBOC Notice, the PBOC Catalog and/or the CBIRC Measures would not be interpreted in a different way. If the PBOC and/or CBIRC takes a different view or any change will be made to such regulations, the Bank will comply with the requirements of such and any other regulatory authorities.

The Bank is subject to the PRC government's controls on currency conversion and risks relating to volatility in future exchange rates

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

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

The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors which include, among other things, changes to the PRC and international political and economic conditions and the fiscal and currency policies prescribed by the PRC government. Since 1994, the conversion of the Renminbi to foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the PBOC, which are determined on a daily basis based on the inter-bank foreign exchange market rates of the previous business day and the current exchange rates of the international financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars generally remained stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2.0 per cent. against the U.S. dollar. On 18 May 2007, the PBOC announced that the floating band for the trading prices of the Renminbi against the U.S. dollar in the inter-bank foreign exchange market would be expanded from 0.3 per cent. to 0.5 per cent. beginning 21 May 2007. The PBOC further enlarged the floating band for the trading prices in the inter-bank spot exchange market to 1.0 per cent. on 16 April 2012 and to 2.0 per cent. on 17 March 2014. On 11 August 2015, the PBOC announced that it would improve the central parity quotations of Renminbi against the U.S. dollar. On the same day, the one-time depreciation of the median price of the Renminbi was 1,136 basis points. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7.0 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate.

On 11 December 2015, the China Foreign Exchange Trade System ("**CFETS**"), a sub-institutional organisation of PBOC, published the CFETS Renminbi exchange rate index for the first time, which weighs Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The PBOC has further authorised the CFETS to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. In January and February 2016, the Renminbi experienced further fluctuations in value against the U.S. dollar. From 1 January 2017, according to the sampling rule of "CNY versus FX currency pair listed on CFETS", CFETS will add 11 currencies newly listed on CFETS in 2016, and the number of basket currencies will increase from 13 to 24. The International Monetary Fund announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may, in the future, make further adjustments to the exchange rate system.

Any fluctuation of the Renminbi against the U.S. dollar or any other foreign currencies may result in a decrease in the value of the Bank's foreign currency-denominated assets. Conversely, any depreciation of the Renminbi may cause the value of the Bank's overseas listed shares and dividends paid on its overseas listed shares to decrease in foreign currency terms. There is no assurance that it will be able to reduce its foreign exchange risk exposure by way of foreign exchange derivatives or otherwise. In addition, there are limited instruments available for it to reduce its exposure to foreign currency risk at reasonable costs. Any appreciation of the Renminbi against the U.S. dollar or any other foreign currencies may also materially and adversely affect the financial condition of certain of its customers, which, in turn, may impair their abilities to fulfil their obligations to itself. In addition, the Bank is required to obtain the SAFE's prior approval when it converts substantial amounts of foreign currencies into Renminbi. All of these factors could materially and adversely affect its financial condition, results of operations and compliance with capital adequacy and operating ratios.

It may be difficult to effect service of process or to enforce any judgments obtained from non-PRC courts against the Bank or its management residing in the PRC

The Terms and Conditions of the Notes and the transaction documents are governed by English law and the Bank and the Hong Kong Branch have submitted to the exclusive jurisdiction of the Hong Kong courts. However, the Bank is incorporated in the PRC and substantially all of the Group's assets and companies are located in the PRC. Further, most of the Group's management reside in the PRC, together with their personal assets. Therefore, investors may encounter difficulties in effecting service of process from outside the PRC upon the Group or its management.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Group is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon the Group or its management in the PRC.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), which is still in full force and effect as of the date of this Offering Circular and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**New Arrangement**"), which was signed on 18 January 2019, comes into effect. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enter into force, the Arrangement shall still apply. Under the Arrangement, where any designated People's Court of the Mainland or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. However, the rights under the Arrangement are limited and the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, the Bondholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Bondholders' ability to initiate a claim outside Hong Kong will be limited.

In addition, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

Gains on the transfer of the Notes may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law which took effect on 1 January 2008 and was later amended on 24 February 2017 and 29 December 2018, and its implementation rules which took effect on 1 January 2008 and was later amended on 23 April 2019, any gain realised on the transfer of the Notes by non-resident enterprise holders may be subject to enterprise income tax if such gain is regarded as income derived from sources within the PRC. However, there remains uncertainty as to whether the gain realised from the transfer of the Notes would be treated as income derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law and its implementation rules. According to the arrangement between the PRC and Hong Kong for the avoidance of double taxation, residents of Hong Kong, including enterprise holders and individual holders, will not be subject to PRC tax on any capital gains derived from a sale or exchange of the Notes.

Therefore, if non-resident enterprise holders are required to pay PRC income tax on gains on the transfer of the Notes (such enterprise income tax is currently levied at the rate of 10.0 per cent. of the gross proceeds, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-resident enterprise holders of the Notes reside that reduces or exempts the relevant tax), the value of their investment in the Notes may be materially and adversely affected.

Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in the PRC or elsewhere, may have an adverse effect on the Bank's business operations, financial condition and results of operations

Concerns about the spread or outbreaks of a health epidemic or contagious diseases, including the H7N9 strain of flu (avian flu), severe acute respiratory syndrome (SARS), the H1N1 virus (swine flu) and COVID-2019 in China and elsewhere in the world in the past have caused governments to take measures to prevent the spread of such diseases. The outbreak of communicable diseases such as the ones listed above on a global scale may affect investment sentiment and result in volatility in global capital markets or adversely affect PRC and other economies.

An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect the Group's business. In particular, the on-going COVID-19 pandemic has resulted in many countries, including China, Japan, the United States, members of the European Union and the United Kingdom, declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic will significantly disrupt the global economy and global markets and is likely to result in a global economic recession. In addition, COVID-19 has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time.

Since early 2020, the COVID-19 pandemic has brought about additional uncertainties in the Bank's operating environment and has impacted its operations and financial position. The Bank has fully implemented guidelines on providing financial services to support the real economy. It has also been closely monitoring the development and impact of COVID-19 on its business and has put in place contingency measures. These contingency measures include implementing various financial rescue policies, evaluating credit qualities of loans and advances to customers and financial investments, and negotiating repayment schedule with borrowers. The Group will keep such contingency measures under review as the situation evolves, and will uphold its business strategies, focus on value creation and adhere to stable operations to ensure it receives a stable income. However, the Bank remains exposed to the risk of accelerating its customers' loans due to the impact of COVID-19 and other related factors. There was an obvious pressure on the Bank's quality of credit assets. As at 30 June 2020, the non-performing loans of the Group amounted to RMB15.9 billion and its non-performing loan ratio was 1.40 per cent., representing an increase of 12.1 per cent. and 0.03 per cent., respectively, as compared to RMB14.1 billion and 1.37 per cent., respectively, as at 31 December 2019. An occurrence of similar epidemics with a severe domestic or global impact could restrict the level of economic activities generally and/or slow down or disrupt the Bank's business activities including, but not limited to, a decline in demand for residential mortgage advances, a reduction in the number of customers visiting the Bank's branches, decreased demand for the Group's services, an adverse impact on the Bank's ability to keep normal operations and provide uninterrupted services to its customers, and an adverse impact on the Bank's quality of credit assets due to a weakened economy and higher unemployment rate, all of which could in turn adversely affect the Bank's business or financial condition or results of operations.

Moreover, the PRC has experienced natural disasters like earthquakes, floods and drought in the past few years. For example, in May 2008 and April 2010, the PRC experienced earthquakes with reported magnitudes of 8.0 and 7.1 on the Richter scale in Sichuan and Qinghai provinces respectively, resulting in the death of tens of thousands of people. Possible force majeure events may give rise to additional costs to be borne by the Bank and have adverse effects on the quality of its assets, business, financial condition and results of operations.

Any future occurrence of severe natural disasters in the PRC may adversely affect its economy and in turn the Bank's business. There can be no assurance that any future occurrence of natural disasters or outbreak of avian flu, SARS, swine flu, COVID-19 or other epidemics and pandemics, or the measures taken by the PRC government or other countries in response to a future outbreak of such epidemics, will not seriously interrupt the Group's operations or those of its customers, which may have a material adverse effect on its business, financial condition and results of operations.

RISKS RELATING TO THE MARKET GENERALLY

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Series, such Series is to be consolidated with and form a single series with a Series of Notes which is already issued). The Dealers are not obliged to make a market in any Tranche of Notes and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Dealers. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Bank and the Hong Kong Branch. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although application has been made to the Hong Kong Stock Exchange for the Notes issued under the Programme to be admitted to listing on the Hong Kong Stock Exchange, there is no assurance that such application will be accepted, that any particular Series of Notes will be so admitted or that an active trading market will develop. In addition, even if a market develops for the Notes, it may not be liquid and the holders of the Notes may encounter difficulties in selling these Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales regardless of the performance of the Bank. Besides, the market for investment grade securities has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Series of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes, and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal. Changes in market interest rates may adversely affect the value of Fixed Rate Notes Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

RISKS RELATING TO NOTES ISSUED UNDER THE PROGRAMME

Credit ratings may not reflect all risks and any credit rating of the Notes may be downgraded or withdrawn

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The ratings of the Programme and the Notes may be downgraded or withdrawn

An application has been made for a rating of the Programme by S&P. Each Tranche of Notes may be rated or unrated, as specified in the relevant Pricing Supplement. The rating represents the opinion of the relevant rating agency and its assessment of the ability of the Bank and the Hong Kong Branch to perform their respective obligations under the Notes, and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities. The rating can be lowered or withdrawn at any time. The Issuer is not obliged to inform holders of the Notes if a rating is lowered or withdrawn. A reduction or withdrawal of a rating may adversely affect the market price of the Notes.

Any downgrading of the Bank's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity

Any adverse revision to the Bank's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Fitch Ratings Ltd., Moody's Investors Service, Inc. and S&P may adversely affect the Bank's business, its financial performance and the trading price of the Notes. Further, the Bank's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Certain Series of Notes may be complex financial instruments. Sophisticated investors generally do not purchase complex financial instruments as standalone investments but rather purchase such complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in such Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how such Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are subordinated to all secured debt of each of the Bank and the Hong Kong Branch

Each Tranche of Notes will be unsecured and will rank at least equally with all other unsecured and unsubordinated indebtedness (except for creditors whose claims are preferred by laws and rank ahead of the holders of the Notes) that each of the Bank and the Hong Kong Branch has issued or may issue. Payments under the Notes are effectively subordinated to all secured debt of each of the Bank and the Hong Kong Branch to the extent of the value of the assets securing such debt.

As a result of such security interests given to the Bank's and the Hong Kong Branch's secured lenders, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the Bank and the Hong Kong Branch, the affected assets of the Bank and the Hong Kong Branch may not be used to pay the Noteholders until after:

- all secured claims against the affected entity have been fully paid; and
- if the affected entity is a subsidiary of the Bank, all other claims against such subsidiary, including trade payables, have been fully paid.

In the event that the Issuer (where the Issuer is the Hong Kong Branch) fails to fully perform its obligations under the Notes, performance by the Bank of such obligations may be subject to registration or verification of the PRC government authorities

According to the Law of the People's Republic of China on Commercial Banks (中華人民共和國商業銀行法) and the circular issued by the PBOC named "Reply on the Issues Regarding the Civil Liabilities of the Branches of Commercial Banks" (關於對商業銀行分支機構民事責任問題的覆函), in the event that a branch of a commercial bank fails to fully perform the obligations to the extent of the assets of the branch, such commercial bank shall fulfil such obligations to the extent that the branch has failed to perform them.

Therefore, in the event the Issuer (where the Issuer is the Hong Kong Branch) is unable to or does not perform its obligations under the Notes, the Bank will assume all obligations of the Issuer with respect to the payments under the Notes. The remittance of funds outside the PRC by the Bank in order to perform these obligations may be subject to registration or verification of the SAFE.

Investors shall pay attention to any modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

The Terms and Conditions of the Notes also provide that the Issuer and the Bank may, without the consent of Noteholders, agree to (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or (b) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law as described in Condition 11 (*Meetings of Noteholders; Modification and Waiver*).

Investors shall be aware of the effect of change of law

The Terms and Conditions of the Notes are based on English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or the laws as specified in the Pricing Supplement, or administrative practices after the date of this Offering Circular.

Potential investors should not place undue reliance on the financial information incorporated by reference that is not audited

This Offering Circular incorporates the most recently published unaudited but reviewed condensed consolidated financial statements of the Group published from time to time after the date of this Offering Circular, together with any review reports prepared in connection therewith, as well as the most recently published unaudited and unreviewed quarterly financial information. The Group publishes its consolidated quarterly interim reports in respect of the three months ended 31 March and 30 September of each financial year. A copy of the quarterly interim reports can be found on the website of the Hong Kong Stock Exchange. The quarterly interim reports have not been and will not be audited or reviewed by the Group's independent auditors and were and will be prepared under IFRS. The quarterly interim financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors should exercise caution when using such data to evaluate the Group's financial condition and results of operations. The half-year or quarterly interim financial information should not be taken as an indication of the expected financial condition or results of operations of the Group for the relevant full financial year.

The Notes may be represented by Global Notes and holders of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes. Such Global Notes will be deposited with a common depositary for Euroclear and Clearstream or lodged with the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream or, as the case may be, to the relevant paying agent, in the case of the CMU, for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes. Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade

Notes may be issued with a minimum denomination. The Pricing Supplement of a Tranche of Notes may provide that, for so long as the Notes are represented by a Global Note and the relevant Clearing System(s) so permit, the Notes will be tradable in nominal amounts (i) equal to, or integral multiples of, the minimum denomination, and (ii) the minimum denomination plus integral multiples of an amount lower than the minimum denomination. In relation to any issue of Notes in registered form, definitive Certificates will only be issued if the relevant Clearing System(s) is/are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce(s) an intention to permanently cease business. The Pricing Supplement may provide that, if definitive Notes are issued, such Notes will be issued in respect of all holdings of Notes equal to or greater than the minimum denomination. However, Noteholders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade. Definitive Notes will in no circumstances be issued to any person holding Notes in an amount lower than the minimum denomination and such Notes will be cancelled and holders will have no rights against the Issuer (including rights to receive principal or interest or to vote) in respect of such Notes.

Considerations related to a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be or used as "benchmarks", are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU (which, for these purposes, includes the United Kingdom). Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international, national, or other proposals, for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate ("**LIBOR**") has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the Terms and Conditions of the Notes or result in other consequences, in respect of any Notes linked to such benchmark. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark, or otherwise dependent on (in whole or in part) upon, a benchmark.

In certain circumstances, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used (or alternatively, if there has not been a first Interest Payment Date, the initial Rate of Interest). This will result in the floating rate Notes, in effect, becoming fixed rate Notes.

In addition, any Floating Rate Notes may include additional fallback language in the relevant Pricing Supplement. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, any determinations that may need to be made by the Issuer and the involvement of an Independent Adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulations or any other international or national reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark. Where additional fallback language is included in the relevant Pricing Supplement, investors should read the relevant Pricing Supplement together with this Offering Circular in order to make any investment decision in terms of any Floating Rate Notes.

The value of, and return on, Floating Rate Notes linked to or referencing LIBOR may be adversely affected in the event of a permanent discontinuation of LIBOR

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, and LIBOR has been selected as the Reference Rate, the Terms and Conditions of the Notes provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where LIBOR is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Terms and Conditions of the Notes provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of LIBOR), the Rate of Interest may revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before LIBOR was discontinued, and if LIBOR is discontinued permanently, the same Rate of Interest will continue to be the Rate of Interest for each successive Interest Period until the maturity of the Floating Rate Notes, so that the Floating Rate Notes will, in effect, become fixed rate notes utilising the last available LIBOR rate. Uncertainty as to the continuation of LIBOR, the availability of quotes from reference banks, and the rate that would be applicable if LIBOR is discontinued may adversely affect the value of, and return on, the Floating Rate Notes.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Notes is to be determined, the Terms and Conditions of the Notes provide that the Rate of Interest in respect of the Notes shall be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions. Where the Floating Rate Option specified is a "LIBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If LIBOR is permanently discontinued and the relevant screen rate or, failing that, quotations from banks are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Notes.

Notes subject to optional redemption by the relevant Issuer

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each a "**Relevant Factor**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) the payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to the Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than the prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Notes are redeemable in the event of certain withholding taxes being applicable

There can be no assurance as to whether or not payments on the Notes may be made without withholding taxes or deductions applying for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of a Tax Jurisdiction or any political subdivision therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. Although pursuant to the Terms and Conditions of the Notes, the Issuer is required to gross up payments on account of any such withholding taxes or deductions (whether by way of EIT, VAT or otherwise) or a Branch Issuer also has the right to redeem the Notes at any time in the event (i) a Relevant Obligor has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (Taxation) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

If the relevant Issuer redeems the Notes prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Notes to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, such Issuer's ability to redeem the Notes may reduce the market price of the Notes.

The Financial Institutions (Resolution) Ordinance may adversely affect the Notes

On 7 July 2017, the Financial Institutions (Resolution) Ordinance (Cap. 628) of Hong Kong (the "**FIRO**") came into operation. The FIRO provides for, among other things, the establishment of a resolution regime for authorised institutions and other within scope financial institutions in Hong Kong which may be designated by the relevant resolution authorities, which may include the Hong Kong Branch and other members of the Bank (a "**FIRO Group Entity**"). The resolution regime seeks to provide the relevant resolution authorities with administrative powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution or within scope financial institution in Hong Kong. In particular, in the context of a resolution of any FIRO Group Entity, the relevant resolution authority will have the ability to resolve other entities within the Bank as if they were themselves a within scope financial institution for the purposes of FIRO and take certain actions and make certain directions in relation to such entities. Any such actions could potentially affect contractual and property rights relating to the Hong Kong Branch. In addition, the relevant resolution authority is provided with powers to affect contractual and property rights as well as payments (including in respect of nay priority of payment) that creditors would receive in resolution. These may include, but are not limited to, powers to cancel, write off, modify, convert or replace all or a part of the Notes or the principal amount of, or interest on, the Notes, and powers to amend or alter the contractual provisions of the Notes, all of which may adversely affect the value of the Notes, and the holders thereof may suffer a loss of some or all of their investment as a result. Holders of Notes (whether senior or subordinated) may become subject to and bound by the FIRO. The implementation of FIRO remains untested and certain details relating to FIRO will be set out through secondary legislation and supporting rules. Therefore, the Bank is unable to assess the full impact of FIRO on the financial system generally, the Bank's counterparties, the Bank, any of its consolidated subsidiaries or other Group entities, the Bank's operations and/or its financial position.

RISKS RELATING TO RENMINBI-DENOMINATED NOTES

Notes denominated in RMB (the "**RMB Notes**") may be issued under the Programme. RMB Notes contain particular risks for potential investors, including:

Renminbi is not freely convertible and there are significant restrictions on remittance of Renminbi into or out of the PRC which may adversely affect the liquidity of RMB Notes

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction over the years by the PRC government of control over trade transactions involving the import and export of goods and services as well as other frequent routine foreign exchange transaction. These transactions are known as current account items. However, remittance of Renminbi by foreign investors into the PRC for settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from or completing specific registrations or filing with the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

On 7 April 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (關於規範跨境人民幣資本專案業務操作有關問題的通知) (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant Ministry of Commerce ("**MOFCOM**") to the relevant local branch of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that foreign debts borrowed, and foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 13 October 2011, the PBOC promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC RMB FDI Measures**") which was later amended on 29 May 2015 as part of the implementation of the PBOC's detailed foreign direct investment ("**FDI**") accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases however, post-event filing with the PBOC is still necessary. On 14 June 2012, the PBOC further issued the implementing rules for the PBOC RMB FDI Measures, which provides more detailed rules relating to cross-border Renminbi direct investments and settlement. On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**"), which sought to improve the efficiency of the cross-border Renminbi settlement process. For example, where automatic fund remittance occurs, the bank can debit the amount into the relevant account first and subsequently verify the relevant transaction. PBOC further issued the Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors (關於境外投資者投資境內金融機構人民幣結算有關事項的通知) on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC.

On 3 December 2013, the MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

The reforms which are being introduced and will be introduced in the Shanghai Free Trade Zone (the "**Shanghai FTZ**") aim to upgrade cross-border trade, liberalise foreign exchange control, improve convenient cross-border use of Renminbi and promote the internationalisation of Renminbi. However, given the infancy stage of the Shanghai FTZ, how the reforms will be implemented and whether (and if so when) the reforms will be rolled out throughout China remain uncertain.

To support the development of the Shanghai FTZ, the Shanghai Head Office of the PBOC issued the Circular on Supporting the Expanded Cross-border Utilisation of Renminbi in the Shanghai FTZ (關於支持中國(上海)自由貿易試驗區擴大人民幣跨境使用的通知) (the "**PBOC Shanghai FTZ Circular**") on 20 February 2014, which allows banks in Shanghai to settle FDI based on a foreign investor's instruction. In respect of FDI in industries that are not on the "negative list" of the Shanghai FTZ, the MOFCOM approval previously required is replaced by a filing. However, the application of the Shanghai FTZ Circular is limited to the Shanghai FTZ.

As the SAFE Circular, the PBOC RMB FDI Measures, the MOFCOM Circular and the PBOC Shanghai FTZ Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

Although starting from 1 October 2016, the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund and policies further improving accessibility to RMB to settle cross-border transactions in foreign currencies were implemented by the PBOC, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittances of RMB in the future, that any pilot schemes for RMB cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under RMB Notes.

Holders of beneficial interests in RMB Notes may be required to provide certifications and other information (including RMB account information) in order to allow holder to received payments in RMB in accordance with the RMB clearing and settlement system for participating banks in Hong Kong.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service such RMB Notes

As a result of the restrictions imposed by the PRC government on cross border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into settlement agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (each, a "**Renminbi Clearing Bank**"), including but not limited to Hong Kong, and are in the process of establishing RMB clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The relevant RMB Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement. The relevant RMB Clearing Bank is not obliged to square for participating banks any open positions as a result of other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement agreements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service the Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Remittance of proceeds into or outside of the PRC in Renminbi may be difficult

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in RMB, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there can be no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

In the event that the Issuer does remit some or all of the proceeds into the PRC in RMB and the Issuer subsequently is not able to repatriate funds outside the PRC in RMB, it will need to source RMB outside the PRC to finance its obligations under the RMB Notes, and its ability to do so will be subject to the overall availability of RMB outside the PRC.

Investment in RMB Notes is subject to exchange rate risks

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal with respect to RMB Notes will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar terms may vary with the prevailing exchange rates in the marketplace. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the RMB Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of Renminbi against such currency could cause a decrease in the U.S effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the RMB Notes is translated into such currency. Accordingly, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

There may be PRC tax consequences with respect to investment in the Renminbi Notes

In considering whether to invest in the RMB Notes, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situation as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the holder's investment in the RMB Notes may be materially and adversely affected if the holder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those RMB Notes.

An investment in RMB Notes is subject to interest rate risks

The value of Renminbi payments under RMB Notes may be susceptible to interest rate fluctuations occurring within and outside the PRC, including PRC Renminbi repo rates and/or the Shanghai inter-bank offered rate. The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

The RMB Notes may carry a fixed interest rate. Consequently, the trading price of such RMB Notes will vary with fluctuations in interest rates. If a holder of RMB Notes tries to sell any RMB Notes before their maturity, they may receive an offer that is less than the amount invested.

Payments in respect of RMB Notes may only be made to investors in the manner specified in the terms and conditions of the relevant Notes

Investors may be required to provide certifications and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong. All Renminbi payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates or global notes held with the common depositary for Euroclear and Clearstream or any alternative clearing system, by transfer to a Renminbi bank account maintained by or on behalf of the Noteholder with a bank in Hong Kong in accordance with prevailing Euroclear and/or Clearstream rules and procedures, or (ii) for so long as the RMB Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than described in the Terms and Conditions of the Notes, the Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

CAPITALISATION AND INDEBTEDNESS

The following table sets out the Group's consolidated capitalisation and indebtedness as at 30 June 2020. This table should be read in conjunction with the Historical Financial Statements of the Group, including the notes thereto, included elsewhere in this Offering Circular.

	As at 30 June 2020
	Actual
	RMB (million)
Debt:	
Debt securities issued	198,502
Due to central bank	76,568
Deposits from banks and other financial institutions	88,723
Placements from banks and other financial institutions	38,755
Financial assets sold under purchase agreements	34,604
Customer deposits	1,354,290
Total debt	1,791,442
Equity:	
Share capital	21,269
Other equity instruments	14,958
Capital reserve	32,018
Other comprehensive income	2,286
Surplus reserve	7,294
Statutory general reserve	21,013
Retained earnings	28,165
Equity attributable to shareholders of the Bank	127,003
Non-controlling interests	1,918
Total equity	128,921
Total capitalisation[(1)]	1,920,363

Note:

(1) Total capitalisation equals total debt plus total equity.

Except as disclosed above, there has been no material adverse change in the total capitalisation and indebtedness of the Group, on a consolidated basis, since 30 June 2020.

DESCRIPTION OF THE HONG KONG BRANCH

BUSINESS ACTIVITIES

The Hong Kong Branch was established in 2018 and was the first branch of the Bank established outside of the PRC. The Hong Kong Branch is a licensed bank in Hong Kong and its business address is at 15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong. The Hong Kong Branch currently focuses on the development of its wholesale business and providing its customers with cross-border financial solutions and financial services. In particular, the Hong Kong Branch has identified strategic opportunities to expand its local customer base and market share under the "Guangdong-Hong Kong-Macao Greater Bay Area" and the "Belt and Road Initiative" development policies established by the PRC government. Through close cooperation with its customers and banking peers, the Hong Kong Branch realised stable growth of trade finances, bilateral loans, syndicated loans and domestically guaranteed loans. Meanwhile, it also engaged in financial market business activities including trading agency, proprietary trading, banking account bond investments and monetary market transactions.

As at 31 December 2018 and 2019 and 30 June 2020, the total assets of the Hong Kong Branch was HK$24.1 billion, HK$27.7 billion and HK$27.7 billion, of which financial assets at fair value through other comprehensive income amounted to HK$5.9 billion, HK$11.1 billion and HK$12.0 billion as at the same dates, respectively, and representing 24.6 per cent., 40.0 per cent. and 43.2 per cent. of the Hong Kong Branch's total assets as the same dates, respectively.

As at 31 December 2018 and 2019 and 30 June 2020, the Hong Kong Branch recorded loans and advances to customers in the amount of HK$5.1 billion, HK$7.2 billion and HK$9.0 billion, representing 21.3 per cent., 26.0 per cent. and 32.6 per cent. of the Hong Kong Branch's total assets as at the same dates, respectively.

As at 31 December 2018 and 2019 and 30 June 2020, the Hong Kong Branch recorded amounts due from head office and overseas offices in the amount of HK$4.7 billion, HK$6.4 billion and HK$3.9 billion, representing 19.5 per cent., 23.0 per cent. and 14.1 per cent. of the Hong Kong Branch's total assets as at the same dates, respectively.

For the year ended 31 December 2018 and the six months ended 30 June 2019, the Hong Kong Branch recorded operating income in the amount of HK$196 million and HK$191 million, respectively. For the year ended 31 December 2019 and the six months ended 30 June 2020, the Hong Kong Branch recorded net profit in the amount of HK$220 million and HK$125 million, respectively.

HONG KONG REGULATORY GUIDELINES

The banking industry in Hong Kong is regulated by and subject to the provisions of the Banking Ordinance and to the powers and functions ascribed by the Banking Ordinance to HKMA. The Banking Ordinance provides that only banks, which have been granted a banking license ("**license**") by HKMA, may carry on banking business (as defined in the Banking Ordinance) in Hong Kong and contains controls and restrictions on such banks ("**licensed banks**").

The provisions of the Banking Ordinance are implemented by HKMA, the principal function of which is to promote the general stability and effectiveness of the banking system, especially in the area of supervising compliance with the provisions of the Banking Ordinance. HKMA supervises licensed banks through, among others, a regular information gathering process, the main features of which are as follows:

- each licensed bank must submit a monthly return to HKMA setting out the assets and liabilities of its principal place of business in Hong Kong and all local branches and a further comprehensive quarterly return relating to its principal place of business in Hong Kong and all local branches. HKMA has the right to allow returns to be made at less frequent intervals;

- HKMA may order a licensed bank, any of its subsidiaries, its holding company or any subsidiaries of its holding company to provide such further information (either specifically or periodically) as it may reasonably require for the exercise of its functions under the Banking Ordinance or as it may consider necessary to be submitted in the interests of the depositors or potential depositors of the licensed bank concerned. Such information shall be submitted within such period and in such manner as HKMA may require. HKMA may also require a report by the licensed bank's auditors (approved by HKMA for the purpose of preparing the report) confirming whether or not such information or return is correctly compiled in all material respects;

- licensed banks may be required to provide information to HKMA regarding companies in which they have an aggregate of 20 per cent. or more direct or indirect shareholding or with which they have common directors or managers (as defined in the Banking Ordinance), the same controller (as defined in the Banking Ordinance), with common features in their names or a concert party arrangement to promote the licensed bank's business;

- licensed banks are obliged to report to HKMA immediately of their likelihood of becoming unable to meet their obligations;

- HKMA may direct a licensed bank to appoint an auditor to report to HKMA on the state of affairs and/or profit and loss of the licensed bank or the adequacy of the systems of control of the licensed bank or other matters as HKMA may reasonably require; and

- HKMA may, at any time, with or without prior notice, examine the books, accounts and transactions of any licensed bank, and in the case of a licensed bank incorporated in Hong Kong, any local branch, overseas branch, overseas representative office or subsidiary, whether local or overseas, of such licensed bank. Such inspections are carried out by HKMA on a regular basis.

BUSINESS

OVERVIEW

The Bank is a nationwide joint-stock commercial bank which was established in Zhejiang Province, the PRC on 26 July 2004 with the approval from the CBRC (currently known as CBIRC) and the only nationwide joint-stock commercial bank headquartered in Zhejiang. In recent years, the Bank has navigated through new trends which have been rapidly developing in the PRC banking industry (mainly the increased use of the Internet and information technology by the public in the PRC) to create value for its customers. The Bank has set its overall goal of "two most", which is to become the most competitive nationwide joint-stock commercial bank and Zhejiang's most important financial platform, and aims to build a strong platform-based service system. The Bank has developed its platform-based service strategy and adheres to its five operation principles of "serving the real economy, innovative transformation, compliant operation, risk prevention and dissolution, quality and efficiency improvement" to become a platform-based service bank and provide customers with comprehensive financial services which are open, efficient, flexible, shared and simple. Most notably, the Bank has developed its blockchain technology and in 2019, it became one of the first batch of registered domestic blockchain information services companies approved and licenced by the Cyberspace Administration of China to operate its five platforms, which consists of accounts receivable chain, over-the-counter trading, "Manifest Connect" (倉單通), "Tongyouyi" (同有益) and individual financial management product transfer platform. In the same year, the Bank obtained a blockchain technology patent for a blockchain-based key management system and method (一種區塊鏈密鑰管理系統及方法) from the National Intellectual Property Administration. The Bank's blockchain technology is capable of providing distinctive and differentiated solutions to customers operating in various industries based on such customers' specific production and operation scenarios.

Since 2014, the business of the Bank has grown at a fast rate. As at 30 June 2020, the total assets of the Bank amounted to RMB1,990.6 billion, representing an increase of 10.5 per cent. from RMB1,800.8 billion as at 31 December 2019. For the six months ended 30 June 2020, the Bank recorded an operating income of RMB25.2 billion, representing an increase of 11.6 per cent. on a period-on-period basis, of which net interest income amounted to RMB18.0 billion, representing an increase of 12.6 per cent. on a period-on-period basis, and net non-interest income amounted to RMB7.2 billion, representing an increase of 9.0 per cent. on a period-on-period basis. For the six months ended 30 June 2020, net profit attributable to shareholders of the Bank amounted to RMB6.8 billion, representing a decrease of 10.0 per cent. on a period-on-period basis. The Bank believes its relatively consistent growth is due to, among other things, the key competitive strengths of the Bank.

Furthermore, as at 30 June 2020, the Bank has established 260 branch outlets in 19 provinces and municipalities directly administered by the PRC Government and in Hong Kong. The network of the Bank covers all prefecture-level cities within Zhejiang, the Yangtze River Delta Area, the Bohai Rim Area, the Pearl River Delta Area and certain other areas in Central and Western China and Hong Kong.

The Bank believes it has great development potential given, among other things, the increasing market share of the nationwide joint-stock commercial banks in the PRC banking industry and the Bank's ability to leverage its nationwide licence, its expanding geographical presence and the increasing revenue contribution from its business outside Zhejiang and its transition from the traditional banking business focusing on credit assets to becoming a platform-based service bank focusing on providing comprehensive financial services to customers. According to *The Banker*, the Bank ranked 97th in the "Top 1000 World Banks 2020" in terms of tier-one capital and total assets. As at 30 June 2020, the Bank holds a corporate credit rating of "AAA" issued by CCXI, which is the highest credit rating that CCXI may grant to a financial institution in the PRC. The Bank's shares were listed on the Hong Kong Stock Exchange on 30

March 2016 and on the Shanghai Stock Exchange on 26 November 2019, becoming the 13th bank in China to be listed on both such exchanges.

The Bank has received many awards, recognitions and honours for its outstanding business performance and management capabilities. The following table sets out a selection of awards and honours that the Bank has received in recent years.

Year	Awards/rank	Event/Organisation/Publication
2018	Best Supply Chain Financial Product Innovation Award (最佳供應鏈金融產品創新獎)	2018 China Supply Chain Finance Annual Conference (2018中國供應鏈金融年會)
2018	Best People's Livelihood Finance Award (最佳民生金融獎)	China Banking Association (中國銀行業協會)
2018	REBRAND 100 Annual Excellence Award (REBRAND100年度卓越獎)	Rebranding Committee of USA REBRAND (美國REBRAND品牌重塑組委會)
2018	Transaction Bank with the Most Growth in China (中國最具成長性交易銀行)	The Asian Banker (亞洲銀行家)
2019	Pioneer Organization for Targeted Poverty Alleviation (精準扶貧先鋒機構)	China Net (中國網)
2019	Best Mobile Banking Interactive Experience Award (最佳手機銀行交互體驗獎); Best Smart Financial Platform Award (最佳智慧金融平台獎)	China Financial Certification Centre (中國金融認證中心)
2019	Bank with Highest Customer Satisfaction (民企最滿意銀行)	People's Bank of China Hangzhou Centre Branch (中國人民銀行杭州中心支行)
2019	Best Investment Institution for Foreign Currency Bonds in Asia (亞洲外幣債券最佳投資機構)	"The Asset" Magazine
2019	First Prize for Advanced Corporations Supporting the Economic and Social Development of Zhejiang (支持浙江經濟社會發展先進單位一等獎)	Zhejiang Provincial Party Committee and Provincial Government (浙江省委、省政府)
2019	Outstanding Corporation Supporting the Development of Private Enterprises and Small and Micro Enterprises (支持民營企業、小微企業發展優秀單位)	Zhejiang Provincial Party Committee and Provincial Government (浙江省委、省政府)
2019	Best Inclusive Finance Performance Award (最佳普惠金融成效獎)	China Banking Association (中國銀行業協會)
2019	The Bank's brand renewal was awarded the "A' Design Award Visual Design Silver Award" (品牌煥新獲A'Design Award視覺設計銀獎)	Italy A' Design Award and Competition
2020	Elite of Clearing of the Year (年度清算精英獎)	JPMorgan Chase Bank (摩根大通銀行)
2020	Stars of China – Innovation in Fintech ("中國之星"金融科技創新獎)	Global Finance magazine

Year	Awards/rank	Event/Organisation/Publication
2020	Ranked 97th in terms of tier-one capital and total assets	The Banker Magazine of the UK
2020	Ranked 123rd in Brand Finance Banking 500 with brand value of U.S.$2.07 billion	The Banker Magazine of the UK
2020	Banking Technology Development Award (銀行科技發展獎)	PBOC
2020	2019 China Banking Industry's "Best Targeted Poverty Alleviation Contribution Award" (2019年中國銀行業"最佳精準扶貧貢獻獎")	China Banking Association (中國銀行業協會)
2020	First Prize of Advanced Corporations Supporting the Economic and Social Development of Zhejiang (支持浙江經濟社會發展先進單位一等獎)	Zhejiang Provincial Party Committee and Provincial Government (浙江省委、省政府)
2020	Outstanding Corporation Supporting the Development of Private Enterprises, Small and Micro Enterprises (支持民營企業、小微企業發展優秀單位)	Zhejiang Provincial Party Committee and Provincial Government (浙江省委、省政府)
2020	"Outstanding Contribution Award" of Zhejiang Province Financing Smooth Project (浙江省融資暢通工程"突出貢獻獎")	Zhejiang Provincial Party Committee and Provincial Government (浙江省委、省政府)

Recent Developments

On 25 July 2018, the Bank, as lender, and Peking University Founder Group Co., Ltd. (北大方正集團有限公司) ("**Founder Group**"), as borrower, entered into a loan contract with a loan amount of RMB2.0 billion (the "**Founder Group Loan Contract**"). The Founder Group Loan Contract had an expiration date of 24 July 2020 and an interest rate of 7.8 per cent. The Bank and PKU Capital Operation Co., Ltd. (北大資產經營有限公司) ("**PKU Capital Operation**") and PKU Resources Group Co., Ltd. (北大資源集團有限公司) ("**PKU Resources Group**") entered into guarantee contracts, under which PKU Capital Operation and PKU Resources Group jointly provided a guarantee for the loan amount under the Founder Group Loan Contract (the "**PKU Guarantee Contracts**"). In the fourth quarter of 2019, Founder Group defaulted on its interest payment to the Bank. Subsequently, the Bank issued a notice requesting PKU Capital Operation and PKU Resources Group to perform their guarantee obligations under the PKU Guarantee Contracts. PKU Capital Operation and PKU Resources Group did not make any payments to the Group under the PKU Guarantee Contracts and as a result, in June 2020, the Bank initiated legal proceedings against PKU Capital Operation and PKU Resources Group for payment of the outstanding principal and interest of the underlying loan in the aggregate amount of RMB2.0 billion. In August 2020, the Zhejiang Hangzhou Intermediate People's Court ruled that these legal proceedings should be suspended due to the bankruptcy and reorganisation of Founder Group. As a result, the Bank has made provisions for Founder Group's non-payment of the outstanding amounts under the Founder Group Loan Contract. The Bank does not expect these legal proceedings and provisions to have a material adverse effect on its financial condition or results of operation.

THE BANK'S STRENGTHS

The key competitive strengths of the Bank include:

The Bank is a nationwide joint-stock commercial bank with leading growth rates and efficient operations and management

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

As at 30 June 2020, total assets of the Bank amounted to RMB1,990.6 billion, total loans and advances to customer amounted to RMB1,129.8 billion, and balance of customer deposits amounted to RMB1,354.3 billion, representing increases of 10.5 per cent., 9.7 per cent. and 18.4 per cent., respectively, as compared to those at 31 December 2019. For the six months ended 30 June 2020, operating income of the Bank amounted to RMB25.2 billion, representing an increase 11.6 per cent. as compared to the same period in 2019.

The Bank is the only nationwide joint-stock commercial bank headquartered in Zhejiang. As at 30 June 2020, the Bank was also the largest commercial bank headquartered in Zhejiang in terms of total assets. Zhejiang's solid economic foundation, highly developed market economy and sound legal and regulatory environment has created a strong base and driving force for the Bank's sustainable development.

- As an important pillar of the Yangtze River Delta Area, Zhejiang has been one of the most economically dynamic provinces in the PRC and has one of the highest per capita income level in the PRC. Moreover, according to the Zhejiang Provincial Bureau of Statistics, Zhejiang's GDP and per capita disposable income in urban households has continually increased in recent years.

- As one of the pioneer provinces with respect to the economic reformation and opening up of the PRC, Zhejiang has a well-developed market economy, many leading state-owned enterprises and active privately-owned enterprises. The market-oriented and active private sector economy in Zhejiang has created a dynamic market environment, enabling the Bank to expand the Bank's customer base of quality privately-owned enterprises, and establishing a favourable foundation for the development of the Bank's small and medium enterprises ("**SMEs**") and retail banking businesses.

As part of the strategic expansion of the Bank's national business network, the Bank balances short-term benefits and the mid-to-long-term development potential. As at 30 June 2020, the Bank has established 260 branch outlets in 19 provinces and municipalities directly administered by the PRC Government and in Hong Kong.

The Bank's branch network is primarily located in the Yangtze River Delta Area, which is one of the most economically dynamic regions in China. Such area includes major cities such as Shanghai, Nanjing, Suzhou, Hangzhou, Ningbo, Wenzhou, Shaoxing, Yiwu, Zhoushan and Taizhou. The Bank has also established branch networks in the Bohai Rim Area (Beijing and Tianjin), the Pearl River Delta Area (Guangzhou and Shenzhen) and certain well-developed cities in Central and Western China, such as Chongqing, Chengdu, Xi'an and Lanzhou, and Hong Kong.

The Bank has developed its platform-based service strategy to become a platform-based service bank and provide customers with comprehensive financial services which are efficient and flexible. As a result of the Bank's efficient operation management, the Bank's cost-to-income ratio had consistently been lower than the average of all PRC listed nationwide joint-stock commercial banks in recent years.

The Bank has successfully transitioned from a traditional banking business focusing on credit assets to a bank with "full-asset class operation", which allows the Bank to achieve synergy and growth among different business segments

In order to adapt to the "new normal" economic conditions in the PRC, as well as to the changing needs of customers, the Bank is committed to becoming a bank that provides the corporate customers with liquidity services and direct financing services and to transforming itself to a bank with "full-asset class operation". The Bank strategically deploys credit assets, inter-bank assets and investment assets to realise concurrent development of on-and off-balance sheet assets, domestic and foreign currencies and various other assets. As a result, the Bank is able to provide the customers with comprehensive and ongoing financial solutions. The Bank strives to continuously improve its profitability through the Bank's "full-asset class operation" in light of a narrowing net interest spread.

The Bank has been continuously cultivating its industry research capabilities. Leveraging its professional research abilities and the robust business environment for equity businesses in Zhejiang and the Yangtze River Delta Area, including private equity and venture capital businesses, as well as the innovative management and service mechanisms, the Bank is able to flexibly utilise various financial instruments to serve the Bank's customers. In addition, the Bank is capable of making accurate decisions with respect to industry trends and have established extensive and deep cooperative relationships with various domestic entities, including private equity firms, venture capital firms and listed companies. As a result, the Bank is able to provide enterprise customers with comprehensive investment and financing services along the value chain, from their incubation and subsequent development, to the time when they become public companies.

The Bank's ability to meet the demands of the new economic environment and to provide direct financing to its customers continues to improve. The Bank has been actively engaged in the equity interest based business (exchange-traded and OTC) in the capital markets and has been exploring the synergy between investments and lending in order to optimise customers' asset structures and improve their investment returns and financing conditions. This, in turn, has reduced their financing costs and improves their competitiveness. The Bank assists listed companies to conduct domestic and overseas mergers and acquisitions and provide services in connection with industry integration and upgrading. Such business mainly includes financing related to stock pledges, private placements, investments by substantial shareholders in listed companies, Employee Stock Ownership Plans (ESOPs), equity buyout funds, industry development funds and other equity-interest based businesses.

In addition, the Bank has strengthened its efforts to develop what the Bank refers to as a "broad interbank" model.

The Bank continues to diversify its inter-bank business, optimise the source of its inter-bank liabilities and improve the sustainability of its inter-bank business. The Bank actively cooperates with various inter-bank organisations, including emerging inter-bank institutions, and has become a recognised inter-bank business service provider.

- In its traditional inter-bank business, the Bank cooperates with banks and non-bank financial institutions to achieve comprehensive development of its inter-bank business in various markets and through various products.

- In emerging market sectors, the Bank actively adapts itself to respond to such trends as interest rate liberalisation, asset securitisation, internationalisation of the Renminbi, liberalisation of exchange rates, mixed financial services operations and the rise of internet banking applications. The Bank also extends its services to emerging financial institutions such as internet platforms and third party payment platforms.

The Bank's "full-asset class operation" strategy aims to change its reliance on the traditional model of providing deposit, loan and remittance services. Based on its customers' demands and the interaction among its business sectors, the Bank has shifted from the traditional model of providing deposit, loan and remittance services to a model of providing comprehensive financial services. At the same time, the Bank has transferred its focus from products to customers. Such shifting and transitions have allowed the Bank to change its focus from an asset holding bank to an asset management bank. Following the implementation of the "full-asset class operation" strategy, the Bank continues to improve its assets trading and management abilities. Its capital utilisation efficiency has greatly improved.

The Bank recently established a specialised risk management department for its financial market business in order to achieve both synergetic business development and effective risk management. See "*Risk Management – Credit Risk Management*".

To meet the corporate customers' liquidity management demands, the Bank has established an innovative corporate banking business featuring specialised "pooled financing" (池化融資) services

The Bank has innovatively developed its competitive corporate banking business. To meet corporate customers' core needs for reducing financing costs and improving service efficiency, the Bank has applied the idea of "Internet Plus" and introduced the "pooled financing" (池化融資) services packages (namely, establishing business platforms such as "Bills Pool" (票據池), "Export Pool" (出口池) and "Assets Pool" (資產池), in which the Bank places the customers' various financial instruments into a "pool" so as to generate financing limits for such customers, provide a full range of comprehensive services and receive fees, commissions and interests in return). The Bank is able to provide corporate customers with comprehensive services for various financial assets, including pooled services, custody services, settlement services, pledged financing services and credit extending services. The Bank has also customised its "Group Assets Pool" for conglomerates, their subsidiaries and their branches, as well as listed companies, in order to optimise its customers' internal finance and fund management, centralise the management of financial resources and build an excellent business ecosystem for the conglomerates and for providing financial services along the supply chain of enterprises as well as for B2B electronic commerce.

- The Bank's "Yongjin Bills Pool" (湧金票據池) provides the customers across all industries with high quality and comprehensive bills management and financing services. With a differentiated business model focusing on a philosophy of "accepting all bills and customers" and a service concept of "diligent bills manager", the Bank has been able to create a series of innovative functions. These include bill information queries, flexible pledge, ultra-short duration loan terms, services for bills backed by small banks, small face value bills and bills with short remaining maturity periods as well as the pooling of electronic commercial acceptance bills. In order to meet the needs of the conglomerate, finance company and listed company customers, the Bank also provides such innovative services that adjust the quota among group companies. As a result, the customers are able to improve their bills management, lower their financing costs, increase their financial returns and enhance their business efficiency.

- The Bank's "Yongjin Export Pool" (湧金出口池) is intended to provide its customers with comprehensive financial services, including export receivables management and financing. Through the "Yongjin Export pool", the customers can pledge receivables which are not yet due, including letters of credit and agency collections, into a pool to generate a financing limit. The customers can receive various on-or off-balance sheet financing services within such limits at any time and with flexible terms and multiple currencies choices. This results in reduced financing costs and increased liquidity and business processing and operational efficiency.

- The Bank's "Yongjin Assets Pool" (湧金資產池) is another "pooled financing" platform to which the Bank applies internet-focused mindset and technologies. This platform leverages the customers' liquid assets and provides short-term financing and comprehensive liquidity solutions to the customers. The customers can pledge various financial assets, such as monetary funds, certificates of deposit, wealth management products, commercial acceptance bills, letters of credit and receivables, into a pool to generate a credit limit. The customers can then receive various on-or off-balance sheet financing services within such limit at any time.

There are ten innovative features of the "Yongjin Assets Pool", including the ability to deposit monetary assets into a pool, dynamic pledges on assets, quota sharing, multiple financing choices, self-service online lending and peer to peer (P2P) direct financing. The Bank's pooled model facilitates the concentration, co-ordination, allocation and appreciation of an enterprise's assets, which resolves the challenges faced by the customers associated with balancing the liquidity and profitability of assets. In addition, the pooled model results in reduced financing costs and increases financial income for the customers. It also improves the effectiveness of liquidity management for the customers. The online operation of the "Yongjin Assets Pool" provides the customers with an efficient and convenient experience. Going forward, the Bank expects that the combination of the "pooled" concept and its online banking will enhance its enterprise liquidity management. In addition, through the "Yongjin Assets Pool", the Bank will strive to act as both a "finance company" and an "internal bank" for the enterprise customers and will work diligently to serve their liquidity needs, which may enhance the overall competitiveness, in particular in the corporate banking business.

The Bank has leading professional capabilities with respect to the small and micro enterprise business

The Bank is a pioneer in the small and micro enterprise business in the PRC and endeavours to support the development of the real economy and capture its own development opportunities. In June 2006, which was three years before the CBRC called for specialised support for small enterprises in 2009, the Bank set up one of the first specialised branch in the PRC offering services exclusively to small and micro enterprises. In April 2007, the Bank introduced the online banking service platform specially designed for small enterprises. In May 2013, the Bank launched the non-collateralised micro personal business loans, and the Bank currently has established 10 pilot outlets in cities such as Hangzhou, Ningbo, Wenzhou, Shaoxing, Nanjing and Chongqing. In November 2014, the Bank participated in the establishment of the first small and micro enterprise credit guarantee fund in the PRC.

The Bank is also an industry leader among commercial banks in the PRC with respect to small and micro enterprise businesses. As at 30 June 2020, the Bank's balance of small and micro enterprise loans under inclusive finance was RMB187.2 billion, representing an increase of RMB16.1 billion or 9.4 per cent. from RMB171.1 billion as at 31 December 2019. The Bank's extensive branch network and proximity to private enterprises allow itself to meet the specific needs of small and micro enterprise customers. The Bank has developed approximately 40 specialised products for small and micro enterprises, including the "Villagers Guaranteed One Day Loan" (村民擔保一日貸) and "Market Stalls One Day Loan" (市場攤位

一日貸), which previously were recognised as two of the "Ten Best Products" for serving small and medium enterprises and "three-agriculture" customers by the China Banking Association. The Bank's "One-Day-Loan" series products were recognised as featured financial products for small enterprises by the CBRC and won the "Excellent Service Product Award" at the 2012 International Excellent Small and Medium Enterprises Service Providers Conference. The Bank's "Three-Year-Loan" and "Zheshang Wealth Generating Gold • Rural House Collaterised Loans" (浙商致富金 • 農房抵押貸) were both included in the "Top 10 Financial Products Serving Small and Micro Enterprises" published by the Zhejiang Banking Association.

In response to the guidance issued by the PRC government to promote entrepreneurship and innovation, the Bank has introduced a series of loan products including "Entrepreneurship Loans", "Outstanding Entrepreneur Loans" and "Start-up Loans", which provide financing for start-ups and entrepreneurs. These products have simplified application procedures and flexible guarantees and are well-recognised in the market.

With respect to customer targeting, the Bank targets "small, great and local" customers, focusing on small and micro enterprises with low credit limits (not more than RMB5 million) and limited exposure to other banks, which also have clearly defined core businesses. The Bank continues to expand the types of customers in the small and micro enterprise business from traditional customers from the manufacturing, processing and trading sectors to new small and micro enterprise customers such as E-commerce and science and technology enterprises, as well as rising young entrepreneurs. The Bank seeks to continually innovate, develop and utilise an internet focused mindset and technology to provide small and micro enterprise customers with comprehensive financial service.

The Bank has adopted risk management processes specially designed for the risk exposures relating to small and micro enterprise businesses. The risk managers and customer managers simultaneously identify potential risks at an early stage through on-site pre-lending reviews. The Bank looks into its customers' "soft information" by observing the borrowers' character and integrity so as to assess their willingness and ability to repay loans. The Bank has implemented a risk monitoring supervisor dispatch system and a risk manager system in its loan approval processes, which aims to maintain the independence of its risk control and improve the efficiency of the loan approval process.

The Bank has a solid foundation for developing its internet financial services supported by significant regional strength and influential partners

The Bank has an outstanding regional advantage in developing internet financial service. Hangzhou, where the head office of the Bank is located, was designated by the State Council as the e-commerce centre in The Regional Plan for the Yangtze River Delta Area. A large number of well-known e-commerce enterprises headquartered in Zhejiang, such as Alibaba Group, have been playing leading roles in their respective business fields. The active e-commerce industry in the region provides the Bank with an attractive pool of IT professionals, technological support, solid customer base and influential partners to assist the Bank with the expansion of its internet financial services.

The Bank has seized opportunities to develop its internet financial services so as to fully integrate the internet into each of the business segments. In order to reduce operating costs and increase transaction efficiency, the Bank has developed several advanced information systems and have been increasingly promoting its e-banking channels and developing new products, as well as upgrading its existing platforms. The Bank's internet financial services provide customers with comprehensive financial services by using internet technologies and implementing an internet-focused mindset, while at the same time adhering to the principles of building the Bank's core business.

- The Bank has established and continuously improved the multi-channel electronic banking services, such as online banking, telephone banking, mobile banking, WeChat banking, self-service terminals and automated card issuing machines, all of which have improved the customers' online and offline experience through cross-selling and increased the Bank's market influence by providing customised services. The Bank is a pioneer in utilising biometrical face-recognition technology in the direct selling mobile banking client registration service. As at 30 June 2020, the substitution rate of electronic banking channels of the Bank was 99.4 per cent., which allowed the Bank's to achieve an industry-leading position in this area.

- Capitalising on the advantage with respect to internet financial services channels, the Bank has developed an "end-to-end whole-process product development system", the function of which ranges from product research to promotion. The Bank is committed to developing featured products. One of the illustrative products is the "Zengjinbao" (增金寶), which is an innovative wealth management product linked to the customers' account balances launched jointly with E Fund Management Co., Ltd. The customers who sign up to "Zengjinbao" can use the balance of their accounts to yield investment returns in an automated manner where dividends and compound interests are automatically calculated; and with no manual operation required, the customers may also use such balance to make payment, transfer fund to other accounts and withdraw cash. As such, "Zengjinbao" provides a range of advantages, including high yields, flexibility to use at will, enhanced security and convenience for sign-up. It is as convenient as on-demand deposit.

- The Bank is one of the few banks in the PRC that provide custody services for a variety of P2P funds, which includes accounts opening, investment, repayment and management of transaction information. Such services have helped P2P platforms and their users to perform the functions of payment, collection, remittance of funds, fund management and fund appreciation in a comprehensive, convenient and safe way.

- In recent years, the Bank has focused on developing financial technologies (including blockchain) and combining them with the internet to efficiently deliver products and services to customers through platforms applications, including the pooled financing platform, "Yiqiyin" (易企銀) platform, accounts receivable chain platform and scenario application of the "Connect" (通) series. Such products and services include pooling services, custody services, settlement services, value-added services, pledged financing services, settlement, credit and financing services, services for issuance, acceptance, confirmation, repayment, transfer, pledge and honouring of blockchain receivables, and services provided through blockchain technology for enterprises operating in the supply chain and the industrial chain.

The Bank has maintained solid asset quality through its prudent risk management

The Bank has maintained solid asset quality through its prudent risk management approach and customer screening strategy. Despite the recent rise in non-performing loan ratios in the PRC's banking industry, the Bank has been able to maintain its leading position in terms of asset quality among nationwide joint-stock commercial banks as a result of the improved risk management capabilities and increased efforts to mitigate risks and dispose of non-performing loans. As at 30 June 2020, the non-performing loan ratio of the Bank was 1.40 per cent.; the allowance to non-performing loans was 208.76 per cent. and the allowance to total loans was 2.93 per cent.

- The Bank has implemented a distinct risk monitoring officer dispatch system, under which the head office of the Bank dispatches risk monitoring officers to branches. Risk monitoring officers are directly managed by the head office. They are independent of the branches that they are assigned to and report to the head office on risk warning events. They also have a veto right with respect to the approval of credit extension at the branches where they are assigned to.

- The Bank has established specialised risk management teams. For example, it has set up a dedicated financial market risk management department and a small enterprise risk management department under the small enterprise credit centre. Each risk management team fully utilises its professional expertise and accurately and efficiently performs risk management functions such as reviews, evaluations, follow-up inspections and monitoring.

- The Bank has also adopted various industry-specific risk management measures. For loan applications from customers in certain industries, the Bank sets a limit for the total amount of loans that can be approved and conduct quota management. The Bank also frequently reviews the exposure to risk. As at 30 June 2020, the loans to customers in the real estate industry accounted for 14.3 per cent. of the total loans and advances to customers of the Bank and the non-performing loan ratio of the real estate industry was 0.2 per cent. as at the same date.

- With respect to business operation management, the branches of the Bank assign an accounting operation supervisor at the sub-branches of the Bank to efficiently control operation risks and ethics risks. Such individuals are directly managed by the relevant branches.

The Bank has an experienced management team, diversified shareholding structure and results oriented and efficient corporate culture

The management team of the Bank has an outstanding strategic vision and extensive industry experience. The Chairman of the Bank, Mr. Shen Renkang, has held several important government positions, including mayor of Quzhou City in Zhejiang and deputy mayor of Lishui City in Zhejiang. He has over 30 years of experience in government management and broad experience with respect to management strategies and economic research. He also has unique insights with respect to regional economic development and financial market and possesses outstanding leadership skills and excellent strategic vision. The president of the Bank, Mr. Xu Renyan, has more than 30 years of experience in China's banking industry. He has previously held senior positions at the Zhejiang provincial branch of PBOC and the Hangzhou central branch of PBOC. All of the Bank's core management team members have over 20 years of professional management experience in the banking industry, and collectively have extensive experience in areas including business operations, financial management, risk control and information technology. A large number of the Bank's key senior management members have held operational and management positions in state-owned large commercial banks and have been with the Bank since its establishment. They possess in-depth knowledge of the Bank's business and hold professional qualifications such as senior economist and senior accountant. The Bank's employees are young, energetic and well-educated. As at 30 June 2020, 92.5 per cent. of the Bank's employees held a bachelor's degree or above.

The Bank's securities were listed on the Hong Kong Stock Exchange on 30 March 2016 and on the Shanghai Stock Exchange on 26 November 2019, becoming the 13th bank in China to be listed on both such exchanges. The Bank received market recognition as Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd., Yancoal International (Holding) Company Limited, Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership), Shenwan Hongyuan Group Co., Ltd., and Alipay (Hong Kong) Investment Limited have participated in the subscription of the Bank's securities as cornerstone investors. The majority of the Bank's domestic shareholders have continuously supported the Bank's business development, the implementation of the strategies, and the historical capital increases and made great contribution to the rapid development of the Bank.

The Bank adheres to a corporate culture in the direction toward flexibility for innovation, practicality for cooperation, priority for clients and people-oriented employment culture. These genes of corporate culture can permeate in every aspect of the Bank's business operation via a series of work on a continual basis. Flexibility for innovation: the Bank establishes an environment where innovations are encouraged and errors can be tolerated, thus facilitating each business department to proactively identify market opportunities and innovate business modes, and making it possible for new featured businesses to be developed; the Bank also establishes an organic organisation with a "horse-racing" mechanism to adapt to the fast-paced changes in the macro-economic environment and financial markets. Practicality for cooperation: all employees of the Bank strive to contribute to the overall vision and mission of the Bank, and to avoid self-centred ideologies that may result in stubbornness, negative actions, empty talk etc.; the Bank encourages cross-department or cross-business joint effort and coordination. Priority for clients: the Bank focuses on the needs of client bases and their business areas, and help clients create values with a view from "clients first"; the Bank prioritises clients in every product and service it provide, intending to maximise clients' incomes and lifetime value, improve clients' experiences and satisfactions of the services. Human-oriented employment culture: the Bank believes that employees are the most valuable assets of the Bank, and the Bank respects their effort and values, and try its best to create better working conditions and provide them a competitive scheme for incentive mechanism and promotion; the Bank also establishes a mechanism where the management works closely with front-line employees, and where internal communications with the management are equal and convenient.

THE BANK'S STRATEGIES

Overall Goal of "Two Most"

The goal of the Bank is to become the most competitive nationwide joint-stock commercial bank and Zhejiang's most important financial platform.

"The Most Competitive Nationwide Joint-stock Commercial Bank" means to become a leading joint-stock commercial bank that provides target customers with professional service, possesses distinct competitive advantages on the ability for innovation, risk control, service provision in the market and value creation, matches the identity of the national joint-stock commercial bank in term of scales, as well as provides support for sustainable development of professional ability.

"Zhejiang's Most Important Financial Platform" refers to a representative financial group in Zhejiang featured by comprehensive functions, large scale, good performance and sound reputation, and at the forefront of resources deployment, efficient service and model innovation, so as to become the strategic partner of all levels of governments, financial institutions, core enterprises and business owners in Zhejiang.

Strategic Positioning

The Bank prepares and executes development plans every five years. According to the "Third Five-Year Plan (Interim Revision)" (三五規劃(中期修訂版)) issued in 2019, the Bank's goals are to provide high-quality and efficient financial services to society and become a first-class commercial bank. The Bank has an overall goal of "two most", which is to become the most competitive nationwide joint-stock commercial bank and the most important financial platform in Zhejiang Province. In accordance with Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank's strategic positioning is to promote digitalisation, develop platform-based and professional capabilities, fully implement platform-based service strategy, and focus on cultivating new growth drivers. The Bank's platform-based service strategy consists of one gene (platform gene), two pillars (financial technology innovation and business model innovation), three tiers (platform technology support, platform service model, and platform customer cooperation), four meridians (providing market-oriented services and acquiring customers, back-office support and collaboration, big data risk control and use of intelligent technology, platform integration and openness through transparency and collaboration), five characteristics (unlimited expansion, technology-driven innovation, collaborative integrated services, cross-border integration of resources, advantages through networks).

The Bank's fourth five-year planning period is from 2021 to 2025. Going forward, the Bank will continue to deepen its understanding of the financial situation on an international level and in the PRC, finance, implement new development concepts, adhere to serving the real economy, adhere to its strategies and goals to formulate the "Fourth Five-Year Plan", develop its overall goal of "two most", and further implement its platform-based service strategy.

Focus on Key Businesses

Through its platform-based service strategy, the Bank intends to focus on the following key businesses to form distinctive advantages.

- In recent years, the Bank has continuously improved its liquidity services and formed strong products, such as "Bills Pool" (票據池), "Export Pool" (出口池) and "Assets Pool" (資產池), "Ultra-short Loans" (超短貸) and "Zhizhen Loans" (至臻貸), which have met the Bank's corporate liquidity needs. In the future, the Bank aims to progressively upgrade its liquidity services and maintain its leading position in the industry.

- The Bank will continue to optimise a series of products under the accounts receivable chain business, embed banking services into the operations of industrial enterprises (including production), accelerate innovative marketing and innovative applications, and form a competitive advantage through economies of scale.

- The Bank will continue to develop and enhance the wealth management business in accordance with regulatory requirements and strengthen the synergies with its other businesses, including retail, corporate, asset management, investment banking, and financial market capabilities.

Focus on Target Customers

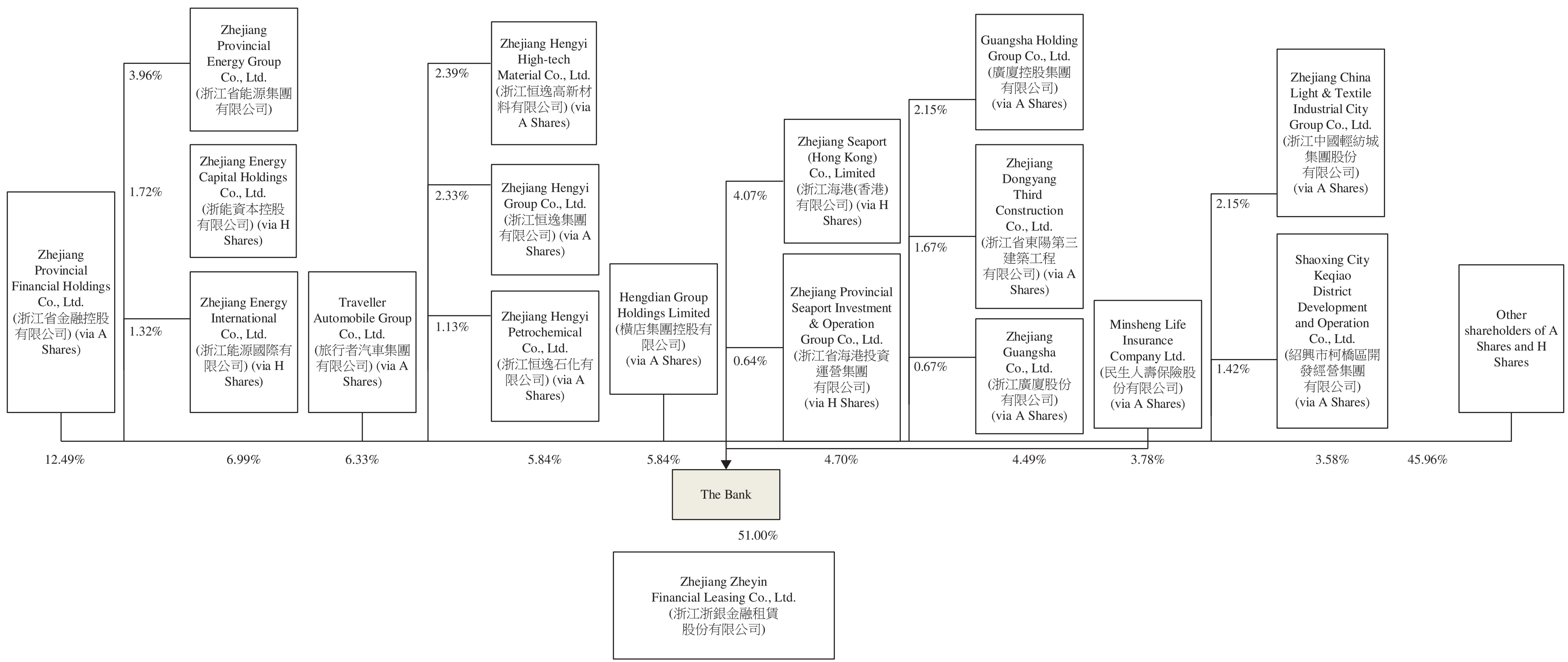
The Bank will continue to serve the real economy and people by focusing on providing services to private enterprises and small and micro enterprises, manufacturing enterprises, business community in Zhejiang, and throughout the PRC.

Through its platform-based service strategy, the Bank will analyse customer groups and their needs, rely on such platforms to design various application scenarios, innovate to provide novel and practical services, and obtain customers. At the same time, the Bank will utilise such platforms to integrate business processes and provide standardised and integrated online services to enhance customer experience.

The Bank's target customers for its four major business segments are corporate banking customers. The Bank aims to create a unique customer coverage model, focus on high-quality large-and medium-sized customers, obtain ultra-large customers, and become the bank of choice for enterprises in Zhejiang.

CORPORATE STRUCTURE

The following chart presents the simplified shareholding structure of the Bank and the Group as at 30 June 2020:



THE BANK'S PRINCIPAL BUSINESSES

The Bank's principal businesses include corporate banking, retail banking and treasury business. The Bank also provides credit services to eligible small and micro enterprises under its corporate banking and retail banking business segments. The following table sets out the operating income by business segment for the periods indicated.

	For the year ended 31 December						For the six months ended 30 June			
	2017		2018		2019		2019		2020	
	RMB (million)	Per cent. of total	RMB (million)	Per cent. of total	RMB (million)	Per cent. of total	RMB (million)	Per cent. of total	RMB (million)	Per cent. of total
Corporate banking	19,840	58	24,418	63	26,786	58	13,301	59	14,084	56
Retail banking	3,777	11	5,078	13	8,537	18	3,806	17	5,039	20
Treasury business	10,208	30	8,674	22	9,954	21	4,857	21	5,406	21
Others[(1)]	439	1	853	2	1,169	3	609	3	652	3
Total	34,264	100	39,023	100	46,446	100	22,573	100	25,181	100

Note:

(1) Others mainly comprise components of assets, liabilities, income or expense of the Bank that are not directly attributable to any of the segments.

Corporate Banking Business

Overview

The majority of the Bank's operating income is attributable to its corporate banking business, under which the Bank provides comprehensive financial products and services, including intermediary products and services, to corporate customers. The Bank's core customer group under the corporate banking business is large and medium-sized enterprises, which includes large central SOEs, local SOEs and quality private enterprises (including enterprises in Zhejiang). The Bank believes that these enterprises benefit from the support of national industrial policies and regional economic policies, which may help the Bank further expand its market share. The Bank actively develops cooperative relationships with other strategic customers, including high-quality small and micro enterprises, and emerging industry enterprises.

In recent years, the Bank has developed its platform-based service strategy, which is guided by its overall goal of "two most" (e.g. to be the most competitive nationwide joint-stock commercial bank and Zhejiang's most important financial platform), to serve the customers of its corporate banking business. This platform-based service strategy can be summarised as "One Gene, Two Pillars, Three Latitudes, Four Longitudes and Five Characteristics", which consists of (i) incorporating platform-based genes, (ii) applying innovative financial technology and building a strong platform-based service system, (iii) based on this platform-based service system, driving innovation and development, and expanding the Bank's customer base and business, (iv) optimising the Bank's process and risk controls, and (v) improving the Bank's performance and management by enhancing the Bank's current strengths and advantages to construct a platform-based service bank and to continue the Bank's high-quality development.

The platform-based services which the Bank has developed include (1) pooled financing platform, (2) "Yiqiyin" (易企銀) platform, (3) accounts receivable chain platform, (4) scenario application of the "Connect" (通) series.

Pooled Financing Platform

Pooled financing platform consists of pooled financing models "Yongjin" (湧金), "Bill Pool" (票據池), "Export Pool" (出口池) and "Asset Pool" (資產池). The Bank's pooled financing platform integrates its asset and liability businesses, products and services with its operations and management, under which the Bank provides its corporate customers with comprehensive services for various financial assets, including pooling services, custody services, settlement services, value-added services and pledged financing services, enabling the Bank's corporate customers to pool assets and undertake financing activities online at any time. As at 30 June 2020, the Bank had served 26,707 customers under this platform and recorded a financing balance of RMB404.5 billion provided to such customers.

"Yiqiyin" (易企銀) Platform

Yiqiyin (易企銀) platform is an innovative and comprehensive financial service platform which integrates technologies for settlement, credit and financing, and provides a model of cooperation between the Bank, group enterprises and core supply chain enterprises through an internet transaction platform. This platform provides secure services that lowers costs and increases efficiency for group enterprises, upstream and downstream enterprise, and member units. As at 30 June 2020, the Bank had served 3,078 customers under this platform and recorded a financing balance of RMB29.9 billion provided to such customers.

Accounts Receivable Chain Platform

Accounts receivable chain platform is an innovative enterprise-bank business cooperation platform developed by utilising cutting-edge financial technologies such as blockchain. This platform provides the Bank's corporate customers various services such as the issuance, acceptance, confirmation, repayment, transfer, pledge and honouring of blockchain receivables to help such corporate customers reduce liabilities and costs and increase efficiency. As at 30 June 2020, the Bank had served 22,646 customers under this platform and recorded a financing balance of RMB144.6 billion provided to such customers.

Scenario Applications under the "Connect" (通) Series

Since 2017, the Bank has strengthened its application of innovative financial technology such as blockchain with a focus on providing services to supply chain and industrial chain enterprises. The Bank has successfully developed innovative platforms for various scenario applications, including "Order Connect" (訂單通), "Manifest Connect" (倉單通), "Bank-leasing Connect" (銀租通), "Distribution Connect" (分銷通), "Instalment Connect" (分期通) and a series of innovative credit platforms which offer enterprises customised financial services. The Bank believes that such technology assisted the Bank's customers during the COVID-19 pandemic by effectively advancing the resumption of work, production and sales by such customers, and supported the PRC Government's policies of "six-stabilities" (e.g. ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment and expectations) and "six-securities" (e.g. ensuring security in employment, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains and normal functioning of primary-level governments). As at the end of 30 June 2020, the Bank had launched 853 projects under such applications and recorded a business balance of over RMB36.0 billion.

"Order Connect" (訂單通)

The Bank's "Order Connect" (訂單通) platform provides downstream supply chain distributors a financial service for placing orders. Such downstream distributors pay a certain percentage of the relevant security deposits to issue order-based blockchain receivables as payment to the relevant core supply chain enterprises under this platform, which subsequently enables such downstream distributors to obtain title of the underlying goods, take delivery of such goods and make payments in instalments, relieving such downstream distributors of liquidity pressure arising from making a one-time payment to the relevant core supply chain enterprises. The blockchain receivables, upon receipt by the relevant core enterprises, may be utilised to activate future accounts receivable in advance through external payments or financial realisations, and to increase the relevant core enterprises' scale of sales volume. Throughout this process, the Bank provides services such as fund supervision, notice of payment, taking delivery of goods, and financing. This platform satisfies the demands from such core enterprises and downstream distributors for the process of purchase order placement, stabilises the supply chain relationship and reduces the overall cost of the supply chain, assisting such core enterprises to establish a stable sales system and customer base.

"Manifest Connect" (倉單通)

The Bank's "Manifest Connect" (倉單通) platform provides core storage providers and distributors a service for pledging title to goods and financing. Such storage providers issue blockchain warehouse receipts upon receiving the relevant goods and may conduct transactions such as circulation and transfer or pledge financing, and the relevant third party entities may take delivery of the underlying stored goods from such storage providers under this platform. In addition, under this platform, downstream customers may pay a certain percentage of the relevant security deposits to purchase title to the underlying goods set out in the warehouse receipt. Throughout this process, the Bank provides services such as fund supervision, warehouse receipt pledge, notice of payment, taking delivery of goods, and financing. The blockchain warehouse receipt technology of this platform integrates the processes of issuing warehouse receipts and bills of lading, allowing storage providers to transfer or pledge title to the underlying goods and lower the cost of financing such processes. This platform also provides efficient and secure services (including pledge financing, transactions and circulation services) for the storage and delivery of non-perishable bulk commodities and seasonal commodities, assisting core storage providers to establish a stable sales system and customer base.

"Bank-leasing Connect" (銀租通)

Under the Bank's "Bank-leasing Connect" (銀租通) platform, the Bank cooperates with its subsidiary Zhejiang Zheyin Financial Leasing Co., Ltd. to provide comprehensive financial services for enterprises to sell equipment and utilise existing equipment under its possession. Downstream customers of core equipment manufacturers may obtain direct equipment leasing services through Zhejiang Zheyin Financial Leasing Co., Ltd., and pay the underlying lease fee through blockchain receivables issued under the Bank's accounts receivable chain platform, which decreases the financing cost and liquidity pressure for such downstream customers. Such downstream customers may also obtain equipment leaseback services from Zhejiang Zheyin Financial Leasing Co., Ltd., and pay the underlying lease fee through blockchain receivables issued under the Bank's accounts receivable chain platform to utilise existing equipment under their possession and reduce financing costs.

"Distribution Connect" (分銷通)

To serve the needs of core enterprises that may undertake low-and high-frequency settlement with downstream SMEs in specific industries, the Bank determines special credit lines for downstream SMEs based on their past transaction records, and provides corresponding financing for the purchase of goods by such downstream SMEs within such special credit lines, which solves the procurement financing problem of downstream SMEs and helps core enterprises to increase their sales volume. Such core enterprises receive the relevant payment from such downstream SMEs, use the funds from such payment as a deposit to issue blockchain receivables under this platform, and make payments when making purchases from upstream enterprises. The Bank provides a package of comprehensive online supply chain financial services throughout this process, such as financing, settlement and capital management.

"Instalment Connect" (分期通)

The Bank's "Instalment Connect" (分期通) platform facilitates cooperation between core enterprises and the Bank to meet the instalment procurement requirements of downstream enterprises or end consumers. Such downstream enterprises or end consumers may issue receivables under this platform to core enterprises according to their actual need, and pay in instalments to ease liquidity pressure arising from making a lump sum payment. Such core enterprises may recognise the relevant sales collection in advance after receiving the relevant receivables to increase their sales volume.

International Business

International Trade Financing and Settlement Services

The Bank provides corporate customers which engage in import activities with services related to import letters of credit, import financing, shipping guarantees, overseas refinancing and cross-border guarantees. For the corporate customers who engage in export activities, the Bank provides services relating to packaged loans, export bills purchasing, export invoice financing, credit insurance financing and forfeiting. The customers are also able to finance and manage their liquidity through the Bank's "Export Pool" platforms. For clients who manage cross-border businesses and thus may need cross-border financing, the Bank is able to provide various cross-border guarantees, syndicated loans, M&A financing and export buyer's credit.

The Bank provides importers and exporters with a wide range of international settlement services, such as services relating to export letters of credit settlement, export collection, import letters of credit settlement, inward collection, inward remittance, outward remittance and cross-border RMB settlement. For the documentary credit business, the Bank has centralised settlement procedures, and process all documents for the entire Bank at a processing centre at the head office. For the foreign exchange settlement business, all foreign exchange settlement is also processed at the head office, which reduces the number of intermediate steps and allows for automatic settlement. The Bank also processes over-the-counter foreign exchange business in a centralised manner. Orders are submitted to sub-centres for processing and examination after having been accepted by each outlet, which helps the Bank ensure efficiency and mitigate operational risks.

Since the emergence of COVID-19, the Bank has supported the PRC Government's policies of "six-stability", "six-security" and "supporting the real economy" policies by strengthening the innovative application of its platform-based service system in foreign trade, and promoted its platforms such as "Yongjin Export Pool" (湧金出口池), "Export Pooled Chain Connect" (出口池鏈通), "Import Pooled Financing Connect" (進口池融通), "Integrated Foreign Trade Platform Service" (外綜平台服務) as well as platforms which were constructed based on big data models and extend credit to the Bank's customers, including "Export Exchange Collection Loan" (出口收匯貸), "Export Financing Easy Loan" (出口融易貸) and "Export Tax Rebate Loan" (出口退稅貸) to help stabilise activity in the foreign trade and supply chain sectors, and increase financial support for the real economy in the PRC. See "– *The Bank's Strengths – To meet the corporate customers' liquidity management demands, the Bank has established an innovative corporate banking business featuring specialised 'pooled financing' services*".

For the six months ended 30 June 2020, the Bank's on-and off-balance sheet international trade financing amount was U.S.$8.8 billion, of which U.S.$2.0 billion was made through the Bank's platform-based service system.

Other Services

The Bank engages in foreign exchange agency transactions with its customers (primarily importers, exporters and cross-border investment and financing companies) acting as principals. The Bank's services mainly include spot transactions, forward transactions, swaps and options, which help the customers mitigate exchange rate risks and preserve and increase the value of their holdings. The Bank has continued to enhance its product "Zheshang Huiliying" (浙商匯利盈), which provides agency services for foreign exchange transactions, and optimise "Zheshang Trading Treasure" (浙商交易寶), a multi-functional comprehensive foreign exchange trading platform, and implemented other new mechanisms, such as granting a waiver of initial security deposits for certain of the Bank's quality customers to help foreign trade enterprises effectively respond to risks stemming from exchange rate fluctuations.

The Bank has promoted its capital project business, which provides services for cross-border investment and financing, cross-border guarantee and centralised operation of cross-border capital and coordinated domestic and overseas market resources to enable enterprises to expand financing channels, reduce capital costs and secure diversified business growth points.

Investment Banking and Financial Market Business Segment

The Bank provides flexible and innovative services based on the pace of economic and financial reform, and the investment and financing needs of the real economy in the PRC. The Bank has expanded its financial markets, capital markets, investment banking, financial institution, asset management and asset custodian businesses, and accelerated innovation of its platform-based service strategy to enhance its comprehensive financial service capabilities.

Financial Markets Business

The Bank continues to build a comprehensive fixed income clearing corporation trading platform which integrates proprietary investment and financing, and proprietary trading and trading agency services. It has also strengthened its capabilities to serve cross-border businesses and businesses between markets and asset classes and promoted its business development. The Bank holds, and continues to obtain, various licences, memberships and qualifications covering domestic and foreign markets for fixed income, foreign exchange, precious metal, commodities, and other financial market products.

In 2017, the Bank was honoured as the "RMB to foreign currency forward-swap market maker in the inter-bank foreign exchange market" and became a pilot member of implied volatility curve quotation group for gold inquiry options at Shanghai Gold Exchange. In 2018, the Bank obtained a membership of Shanghai Futures Exchange for proprietary trading, a primary membership of the International Swaps and Derivatives Association ("**ISDA**"), the "Bond Connect" market maker qualification, the "foreign currency interbank lending quotation bank" qualification from China Foreign Exchange Trade System, regular clearing membership of Shanghai Clearing House for central clearing businesses of RMB interest rate swaps and regular clearing membership of Shanghai Clearing House for central clearing businesses of credit default swaps. In 2019, the Bank obtained an inter-bank foreign currency transaction market maker qualification, an inter-bank rmb/fx forward and swap market maker qualification in foreign exchange markets, an inter-bank bond indicative quotations agency qualification, the financial category membership of Shanghai Gold Exchange, the bidding gold market maker qualification of Shanghai Gold Exchange and the bidding silver market maker qualification of Shanghai Gold Exchange. In 2020, the Bank obtained the gold futures market maker and silver futures market maker qualifications of Shanghai Futures Exchange.

For local currency transactions, the Bank adjusts its investment strategies in local currency denominated bonds depending on the trends of market yields and the market environment. In 2019, the Bank was awarded "Core Trader of Inter-bank Local Currency Markets" (銀行間市場本幣市場核心交易商), "Excellent Trader of Currency Markets" (優秀貨幣市場交易商) and "Excellent Trader of Bond Markets" (優秀債券市場交易商).

For foreign currency transactions, the Bank conducts research on the foreign exchange market, undertakes risk diversification by using diversified trading portfolio strategies, integrates strategic models and subjective transactions, and provides agency services for foreign exchange to its customers.

For precious metal transactions, the Bank profits from the difference between futures and spot prices, undertakes physical sales of precious metals and provides other related transaction services to customers. During the first half of 2020, the Bank had a leading market position in terms of the proprietary trading of gold and the proprietary trading of silver on the Shanghai Gold Exchange and Shanghai Futures Exchange.

Capital Markets Business

The Bank closely follows development trends and policy changes relating to capital markets, and regularly updates and optimises its business models and product system in a timely manner to comply with new regulatory policies and to provide comprehensive and efficient financial service to listed and non-listed companies. The Bank's capital markets business supports the PRC Government's national economic development strategies by focusing on key regions and industries, including the "Yangtze River Economic Zone", the "Beijing-Tianjin-Hebei Coordinated Development Zone" and the "One Belt and One Road Economic Belt". The Bank also provides strategic M&A and industrial integration services for its customers and conducts a market-oriented debt-to-equity swap business. The Bank has helped state-owned enterprises and private enterprises to improve their financial structure by using the PRC central bank's cut reserve fund and in the form of a special bond and debt-to-equity fund.

Financial Institution Business

The Bank is focused on its "two most" overall goal and platform-based service strategy and continues to develop technology applications based on the Internet and blockchain technology. The Bank has created a platform of inter-bank asset pools to serve its financial institution customers, which include banks and other financial institutions providing securities, funds, trusts, insurance and asset management products and services. The Bank has also created a "comprehensive service cloud platform" for small and medium financial institutions. Relying on its philosophy of "one-click credit" (一鍵式授信), it strengthened its "one-stop service" function to provide customers a comprehensive financial service solution integrating financial asset management, liquidity service, transaction and circulation, and credit enhancement. In addition, as at 30 June 2020, the Bank is one of the five pilot banks approved by the PBOC to carry out bill brokerage business in the PRC.

Asset Management Business

The Bank asset management business focuses on building a professional platform that is equipped with cross-market and multi-tool applications to provide a one-stop shop solution to meet the investment and financing needs of the Bank's customers. The Bank's adheres to its asset management business brand of "professional management, customer first, differentiated competition and leading efficiency". The underlying assets of certain of the Bank's wealth management products are invested in loans, and the Bank grants loans through trust loans and entrusted loans. The Bank strictly complies with regulatory requirements to sell financial products from licensed institutions on an agency basis. In addition, the Bank has a liquidity management framework, which monitors and manages the Bank's liquidity indicator system, establishes a liquidity stress test to ensure that the Bank's liquidity strategies meet management requirements, and establishes a liquidity emergency system to protect the Bank's financial products.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the balance of the Bank's wealth management products amounted to RMB348.9 billion, RMB340.3 billion, RMB330.5 billion and RMB292.7 billion, respectively. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Bank recorded fee income from its asset management service in the amount of RMB5,513.1 million, RMB1,389.7 million, RMB580.7 million, RMB490.0 million and RMB90.0 million, respectively.

In 2017, the Bank was awarded the "2017 Junding Award for Wealth Management Leaders in China" and "2017 Junding Award for Bank Wealth Management Brand in China" by the Securities Times, the "2017 Excellent Assets Management Joint-Stock Bank" and "2017 Annual Excellent Assets Management Team" by the 21st Century Business Herald, the "Best Comprehensive Wealth Management Capability Award", "Best Return Award", "Best Risk Control Award" and "Best Compliance Award" among wealth management institutions of the China banking industry, the "Outstanding Wealth Management Product Award" by hexun.com, the 2017 "Excellent Participating Institutions of Assets Securitization Business" by the bond market of the Shanghai Stock Exchange, the "Best Progress Award" by the National Inter-bank Lending Centre, and the "Outstanding Assets Management Bank Award" and "Outstanding Investment Team" by JRJ.com. In 2018, the Bank was awarded the "2018 Junding Award for Bank Wealth Management Brands in China" (2018中國銀行理財品牌君鼎獎) and "2018 Junding Award for Excellent Wealth Management Institutions" (2018優秀財富管理機構君鼎獎) by the Securities Time, Yongle No. 1 "2017 Gold Bull Bank Wealth Management Product Award" (2017金牛銀行理財產品獎) by China Securities Journal, "2018 Top 300 Dealers in the Interbank RMB Market" (2018年度銀行間本幣市場交易300強) by National Interbank Funding Centre. In 2019, became a member of the third standing committee of the China Banking Association Finance Committee (中國銀行業協會理財專業委員會) and was awarded "Deputy Director Unit of Best Committee of China Banking Association" (中國銀行業協會最佳專業委員會副主任單位) by the China Banking Association, "2019 Junding Award for Bank Asset Management Brand in China"(2019中國銀行資產管理品牌君鼎獎) by the Securities Times, the "Most Competitive Asset Management Bank" (最具競爭力資產管理銀行) by the 21st Century Business Herald and "Top Innovative Financial Product 2019" (2019年度金牌創新力金融產品) by Each Finance and Financial Money.

Investment Banking Business

Since it obtained the licences for underwriting commercial paper in 2005, the Bank has been actively participating in the syndication, distribution and underwriting of commercial papers, and obtained a lead underwriter qualification in September 2008. The Bank's investment banking business includes bond underwriting (including financial bonds, corporate bonds and asset-backed securities) and extending syndicated loans and M&A loans. Over the years, the Bank has increased its bond underwriting activity in the inter-bank market as well as other multi-level capital markets and, as a result, has expanded its customer base to include local governments, financial institutions and non-financial enterprises. The Bank cultivates relationships with its customers to strengthen its market competitiveness and influence. The investment banking business continues to implement the Bank's platform-based service strategy and rely on innovation to improve the Bank's market competitiveness and maintain a strong momentum of development and sustainably serve the real economy in the PRC.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Bank underwrote various types of bonds in the inter-bank market including non-financial corporate debt financing instruments, local government bonds, financial bonds and asset-backed securities in the amount of RMB136.5 billion, RMB200.1 billion, RMB217.3 billion, RMB86.8 billion and RMB103.2 billion, respectively. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Bank recorded fee income from its underwriting service in the amount of RMB634.3 million, RMB756.1 million, RMB1,355.9 million, RMB618.0 million and RMB1,411.0 million, respectively.

In 2017, the Bank was awarded the "2017 Junding Award of Investment Banking (Industry) in China District" and the "2017 Junding Award of Bond Underwriting Bank in China District" by the Securities Times, as well as the "CRRC Annual Trust ABN Highest Market Influence" by Caishiv China. In 2018, the Bank was awarded the "2018 Junding Award of Investment Banking (Industry) in China" (2018中國區銀行(行業)投行君鼎獎) and the "2018 Junding Award of Bond Underwriting Bank in China" (2018中國區債券承銷銀行君鼎獎) by the Securities Times, the "Annual Excellent Trading Asset-backed Notes" (年度優秀交易資產支持票據) by China Securitization Forum, the "2018 Excellent CCDC Member – Excellent Issuing Institution Award" (2018年度中債優秀成員優秀發行機構獎) and the "Credit Risk Mitigation Instrument Innovation Business Promotion Award" by Shanghai Clearing House. In 2019, the Bank was awarded the "2019 Tianji Award of Banking Investment Business of Universal Banks" (2019年度全能銀行投行業務天璣獎) and the "2019 Tianji Award of Bond Underwriting Bank" (2019年度債券承銷銀行天璣獎) in China by the Securities Times and the "Top 10 Master Underwriters" (十佳主承銷商), "Enterprising Bank Award" (銳意進取獎) and "Spirit of Craftsmanship Award" (工匠精神獎) by Beijing Financial Assets Exchange.

Asset Custodian Services

The Bank obtained a licence to provide custody services for securities investment funds and insurance funds in November 2013 and December 2014, respectively. The Bank's custody services cover mutual funds for securities investment, assets management plans for specific customers, insurance assets, trust plans, commercial bank wealth management products and private equity funds. In 2015, the Bank obtained authorisation to provide custody services for its first mutual fund, the "E-fund Zengjinbao Money Market Fund".

The Bank established a special custody service platform consisting of three functional systems: custodian business support, custodian business processing and public network service of custodian business. In recent years, the Bank has increased the contribution of public funds to the Bank's custodian business.

For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, the Bank recorded fee income from its custodian and other fiduciary service in the amount of RMB499.0 million, RMB525.3 million, RMB539.5 million, RMB280.0 million and RMB279.0 million, respectively.

Small Enterprise Business Segment

The Bank established the small enterprise business segment in 2006. The Bank provides customised services, national-standard small and micro enterprise loans, and small and micro enterprise loans with a total credit line for an individual customer with an amount less than RMB10 million (inclusive) (also known as "small and micro enterprise loans under inclusive finance") to small and micro enterprises with the aim of promoting their growth in a sustainable manner. The Bank's customer base includes core enterprises operating in the supply chain (including export enterprises), and enterprises operating in the industrial chain and industrial parks.

In recent years, the Bank has launched specific products and services, including "Export Pool" (出口池) platform; service packages such as "small and micro settlement card" and "business fund • settlement treasury" and "Zenglijia"; the "Talent Support Loan" (人才支持貸), which is a loan granted to enterprises in the manufacturing and technology industry; the "Zhizao Loan" (智造貸), which is a loan granted to equipment enterprises; the "Photovoltaic Loan", which provides capital support to farmers to buy photovoltaic devices to support "rural area revitalisation"; the online-based products "Easy Loan" (點易貸), which consists of sub-products and business models for different customer groups and different application scenarios, and "House Mortgage Easy Loan" (房抵點易貸); and an online-based credit line application process which includes mobile investigation, data review, modular examination and approval, self-help loan withdrawal and repayment, and post-loan automation to increase efficiency, decrease risk and lower costs for the Bank's customers. The Bank has also increased its number of products and services for enterprises operating in industrial parks, including the "Standard Plant Loan" (標準廠房貸) and the comprehensive service models of "head office to head office" (總對總) and "regional head office to regional head office" (區域總對總).

In early 2020, the Bank focused on helping small and micro enterprises resume work and production to support the PRC Government's policies of "six-stability" and "six-security", which were developed as a response to the impact of COVID-19 pandemic. The Bank subsequently launched its "six measures" programme to provide financial support to small and micro enterprises, which included increasing credit supply, temporary extension of principal and interest payment, loan renewal, automatic credit enhancement, opening green channel, interest and fee reductions, and carried out research of small and micro enterprises to adjust and improve its financial services accordingly. It also continued to upgrade its online applications to improve its online service capability. The Bank expanded its online business scope in stages, simplified business procedures and provided a safe and convenient "contactless" service to its customers. For example, the Bank launched its online-based real estate mortgage registration service in relation to its "One-Off" (最多跑一次) product to minimise offline contact.

Corporate Loans

The Bank provides corporate customers with various credit services, including loans and discounted bills for large, medium and small and micro enterprises, which can meet such corporate customers' diverse financing needs and optimise the Bank's corporate loan structure.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, total corporate loans and advances of the Bank amounted to RMB518.6 billion, RMB603.3 billion, RMB679.6 billion and RMB743.2 billion, respectively, representing 77.1 per cent., 69.7 per cent., 66.0 per cent. and 65.8 per cent., respectively, of total loans and advances to customers as at the same dates.

The Bank has made positive response to the strategy of the Chinese government to promote supply-side structural reforms and transformation and upgrade of industrial structure, explored a featured financial service model for emerging industries and intelligent manufacturing sectors, promoted intensive operation and management of the businesses with respect to local governments and real estate, enhanced the cooperation with strategic customers and construction of basic customer base, continuously optimised its business structure and customer base and made remarkable achievements.

Discounted Bills

The Bank purchases bank acceptance bills and commercial acceptance bills with a remaining maturity of 12 months or less from the corporate customers at discounted rates. For the bills pool customers, the Bank also provides an efficient online bill discounting service.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, total discounted bills amounted to RMB20.3 billion, RMB57.7 billion, RMB71.6 billion and RMB95.4 billion, respectively, representing 3.0 per cent., 6.7 per cent., 7.0 per cent. and 8.4 per cent., respectively, of total loans and advances to customers as at the same dates.

The Bank has flexibly regulated and controlled its discounted bills business of low risk and low consumption of capital according to the progress of loan extension, and took various measures including optimisation of structure and acceleration of turnover to improve comprehensive returns on bill assets year.

Corporate Deposits

The Bank provides the corporate customers with time deposits and demand deposits denominated in both RMB and foreign currencies (including US Dollar, Japanese Yen, Hong Kong Dollar, Pound Sterling and Euro). The Bank generally offers time deposits with terms of up to five years. In addition, the Bank offers call deposit products, which bear higher interest rates than demand deposit products, while at the same time providing a certain level of flexibility by allowing customers to make withdrawals after a notice period ranging from one to seven days.

The Bank provides diversified and characteristic services for various corporate customers so as to extend the source of the deposits. For example, the Bank offers electronic corporate deposit services to the customers, such as "E-Deposit" (如e存), which is an online time deposit service. Customers may use this service at any time through the website without opening an account with the Bank by remitting deposits to the Bank from accounts opened at other banks in their name. The Bank also provides deposit services for institutions such as government agencies and public sector entities. In addition, the Bank has developed and issued certificate of deposit products. The Bank believes that providing diversified services can help the Bank expand the customer base and obtain a stable source of deposits.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Bank recorded total corporate deposits in the amount of RMB802.1 billion, RMB864.2 billion, RMB969.6 billion and RMB1,118.7 billion, respectively. The following table sets out the corporate deposits by type and their proportion in relation to customer deposits as at the dates indicated.

	As at 31 December						**As at 30 June**	
	2017		**2018**		**2019**		**2020**	
	RMB (billion)	**Per cent. of total**	**RMB (billion)**	**Per cent. of total**	**RMB (billion)**	**Per cent. of total**	**RMB (billion)**	**Per cent. of total**
Demand deposits	290.8	33.8	308.2	31.6	332.4	29.1	390.9	28.9
Time deposits	511.3	59.4	556.0	57.0	637.2	55.7	727.8	53.7
Total corporate deposits	802.1	93.2	864.2	88.6	969.6	84.8	1,118.7	82.6

Customer Base

The Bank seeks to maintain long-term cooperative relationships with its core customers through providing customised and high-quality services. Large and medium enterprises are one of the major customer groups of its corporate banking business. Its high quality core customers include large central SOEs, local SOEs and quality private enterprises, including enterprises in Zhejiang. The Bank has set up VIP clients departments at both its head office in Hangzhou and in Beijing in order to better provide customised services to large enterprise customers. The Bank also provides customised services for other customers, such as government agencies and public service entities.

The Bank focuses on continuously optimising its customer structure. Small and micro enterprise customers have become a strategically significant customer group to the Bank.

The Bank also focuses on developing long-term strategic relationships with its core customers. The Bank has signed strategic cooperation agreements with some of these core customers covering such areas as corporate banking (including credit, bill and cash management), investment banking (including bond underwriting) and asset management.

In addition, the Bank strives to forge long-term business relationships with enterprises in developed areas of the PRC, such as the Yangtze River Delta Area, the Bohai Rim Area and the Pearl River Delta Area. These enterprises are all supported by preferential national and regional policies. As a result, the Bank has been able to expand its presence in the market and optimise its structure.

Retail Banking Business

Overview

The Bank's retail banking business provides retail customers with diversified products and services, including personal deposits and loans, wealth management, private banking, credit cards and other intermediary products and services, and has achieve decent growth in recent years. The Bank continues to innovate and develop the retail banking business to meet the customers' diversified needs and maintain the rapid growth of the retail banking business. The Bank focuses on its "two most" overall strategic objective for its retail banking business and continues to enhance its retail banking business through its platform-based service strategy. To serve its customers, the Bank has developed financial technologies based on the three principles of "scenario + verticality + credibility", established its "e-banking" and "e-mall" platforms into a comprehensive financial service platform, and continuously improved its customer service capabilities to develop distinctive advantages and new growth drivers and establish itself as a platform-based wealth management bank. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, operating income from the Bank's retail banking business was RMB3,777 million, RMB5,078 million, RMB8,537 million, RMB3,806 million and RMB5,039 million, respectively, representing 11 per cent., 13 per cent., 18 per cent., 17 per cent. and 20 per cent., respectively, of total operating income for the same periods.

Personal Loans

The Bank's personal loans segment consists of personal business loans, residential mortgage loans and consumer loans. The Bank supports the reasonable housing demand of residents. In strict compliance with the national macro-control policies, the Bank has implemented differentiated loan management, developed personal housing loans business in a stable and healthy manner and intensified its management over the intended use of proceeds of loans. By developing consumer loans business through platform-based customer acquisition, online operation and intelligent risk control, the Bank has been committed to the establishment of "e-banking" as an asset pool platform with focuses on the "asset pool of individuals, family members and friends", and the continuous innovation of the "e-banking" platform to improve its customer service capability. The Bank strives to innovate and design products through the "e-Bank" (e家銀) integrated financial service platform, further optimise offline and online products, strengthen innovative applications of financial technology, and enhance customer experience.

As at the years ended 31 December 2017, 2018 and 2019 and 30 June 2020, total personal loans and advances of the Bank was RMB133.9 billion, RMB201.4 billion, RMB275.7 billion and RMB287.8 billion, respectively, which accounted for 19.9 per cent., 23.3 per cent., 26.8 per cent. and 25.6 per cent., respectively, of the total loans and advances provided by the Bank.

Personal Business Loans

Personal business loans refer to loans to individuals, such as individual business owners, farmers and owners of small enterprises, which are to be used in various projects and operations. The Bank is committed to providing a range of high-quality, comprehensive and dedicated financial services and solutions to small and micro enterprise entrepreneurs and individual business owners through the standardised management method.

Residential Mortgage Loans

The Bank provides residential mortgage loans to retail customers. These residential mortgage loans primarily include first-hand housing mortgage loans and second-hand housing mortgage loans.

Consumer Loans

Consumer loans mainly include personal consumption loans and overdrawn credit cards. The Bank provides loans to its retail customers for their general usage (excluding real estate purchasing), such as for home improvement projects and purchases of durables and automobiles. Such loans are generally secured by a borrower's property or other acceptable collateral.

Personal Deposits

The Bank provides time and demand deposits denominated in RMB and foreign currencies service to the retail customers. The majority of such deposits are denominated in RMB. The Bank offers time deposits with maturities generally ranging from three months to five years. For foreign currency-denominated time deposits (which are primarily denominated in U.S. dollar, Japanese Yen, Hong Kong dollar, Pound Sterling and Euros), the maturities usually range from one month to two years.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Bank recorded total personal deposits in the amount of RMB55.7 billion, RMB97.7 billion, RMB159.6 billion and RMB216.0 billion, respectively. The following table sets out the personal deposits by type and their proportion in relation to customer deposits as at the dates indicated.

	As at 31 December						As at 30 June	
	2017		2018		2019		2020	
	RMB (billion)	Per cent. of total customer deposits	RMB (billion)	Per cent. of total customer deposits	RMB (billion)	Per cent. of total customer deposits	RMB (billion)	Per cent. of total customer deposits
Demand deposits . . .	21.2	2.5	40.5	4.2	44.3	3.9	43.7	3.2
Time deposits	34.5	4.0	57.2	5.9	115.3	10.1	172.3	12.7
Total personal deposits	55.7	6.5	97.7	10.1	159.6	14.0	216.0	16.0

Wealth Management

Since April 2005, the Bank has been providing its retail customers wealth management services. The Bank is committed to promoting product innovation, channel expansion and services optimisation. The Bank's customers can enjoy its wealth management products and services in a convenient way at retail locations or through mobile and online banking platforms, smartphone applications and direct-selling banking channels. In order to provide professional and efficient services to the customers, the Bank's marketing personnel covering wealth management are required to obtain the appropriate credentials and qualifications before taking up their positions.

For the Bank's personal wealth management services, the Bank selects underlying asset with relatively low risk and stable returns, and primarily invest in fixed income products, such as bonds, money market instruments and deposits. The Bank enforces a differential pricing system for the products based on the overall contribution of the customers to the Bank in order to strengthen loyalty of the mid-to high-end retail banking customers. The Bank is committed to enriching the product range and developing businesses in accordance with market demands. The Bank is dedicated to achieving rapid development of the personal wealth management business by expanding the categories of the personal wealth management products according to market needs, optimising the issue and maturity dates of the products the Bank offers, developing more non-principal-protected wealth management products, providing products with competitive advantages, consistently enforcing compliance with respect to sales and actively building the brand and promoting the products.

The Bank has a one-stop platform for investment and wealth management, namely, "Finance Market" (財市場). Customers can trade the personal wealth management products among themselves through the Bank's online channels such as mobile banking and direct selling. At present, all of the close-end wealth management products can be traded through the Bank's online transaction platform without geographical restrictions. The transaction price is flexible. The transactions are currently not subject to handling charges and the Bank aims to review the operation of the platform periodically to decide whether to charge a fee for such services. The Bank is responsible for operating the trading platform, providing settlement and delivery services and publishing the relevant trading information on the trading platform. In order to avoid transaction risks on this platform, the Bank conducts qualification review and suitability assessment for investors who use the transaction platform. Users of such platform must be the existing customers of the personal wealth management products. The Bank conducts entry review and assign risk ratings to such customers. On the online transaction platform, customers are not allowed to buy personal wealth management products with a risk rating higher than the risk level that such customers are rated. In conjunction with the risk assessment on existing customers of the personal wealth management products, customers using the online transaction platform are subject to the annual risk assessment as required by the CBIRC in accordance with the relevant rules and regulations.

The Bank has actively developed Internet-related business to created personal business with featured competitive strengths, and successively launched businesses and products including a new version of mobile banking, a one-stop investment and wealth management platform "Cai Market" and the first individual pooled credit financing product in the industry "Zengjin Wealth Pool" (增金財富池). The Bank has also continued to focus on marketing and promotion of wealth management products, the "Yongle" series and innovating to launch such new products as "Youlijia" and private bank wealth management. The Bank also innovated marketing methods and kept launching the activity of "special pick-up to Zheshang for wealth management".

To attract more retail customers, the Bank developed the "Zengjinbao" (增金寶) wealth management product. Through this product, the debit card customers can authorise the Bank to invest their deposits in specific current accounts in designated money market funds. At the same time, the funds invested can be redeemed instantly so as to be used for money transfers, spending or cash withdrawals. The processes of purchasing products and redemption are all initiated automatically by the system without the need for human interaction and without amount limits. The funds invested can be used for debit card spending, money transfers and cash withdrawals and can also be used to purchase wealth management products and repay credit card bills, which facilitates seamless transactions between investing and spending. The yield of the "Zengjinbao" (增金寶) wealth management product is calculated from the first trading day after the product is purchased with daily dividends and compound interest investment. "Zengjinbao" (增金寶) provides a range of advantages, including high yields, flexibility to use, enhanced security and convenience for sign-up. It is as convenient as on-demand deposit.

The Bank is committed to meeting the integrated financial needs for customer development, continuously improving its wealth management capability through financial technology and establishing itself into a "platform-based service wealth management bank". The Bank has provided customers with comprehensive liquidity solutions through its "Finance Market" and "Wealth Cloud" platforms, and in conjunction with the wealth management product system including "Yongle Finance", "Characteristic Deposit and Delegated Investment & Finance", continuously improved the return on assets for customers, while meeting the liquidity demands of customers. In recent years, the Bank has also launched many the Company has launched many net-value wealth management products, including "Shengxin Win" (升鑫贏), "Juxin Win" (聚鑫贏), "Yongxin Zengli Anxiang" (湧薪增利安享) and "Yongxin Zengli Zunxiang" (湧薪增利尊享). It also diversified its consigned wealth management products and launched "Zengjin Smart Investment" (增金智投), a fund portfolio investment service to meet the demand of individual customers for comprehensive financial services.

The Bank takes an innovative approach to marketing and leverages its diversified and effective socialised marketing and fission marketing model to acquire new customers to gradually build up its platform-based, digitalised and socialised innovative marketing ability and customer service capabilities. It proactively establishes a personal customer loyalty management and equity incentive framework based on its "points reward system/e-mall platform" and uses its retailing comprehensive financial service platform to acquire and maintain customers.

Private Banking

In recent years, the Bank has focused on expanding its private banking business based on the private banking service philosophy of "passing of wealth and wisdom, for sustainable development" and through perfecting products, optimising special services, and strengthening the establishment of a professional team. The Bank has improved its capacity in terms of customer service, wealth appreciation and asset allocation, thus developing its competitiveness in the private banking industry. The Bank has launched various private banking investment and financing products with controllable risk, higher returns and diversified terms, and has established value-added service systems, such as "airport and high-speed rail 7x24h free car pickup" service, "Charming Zheshang – Z20" series of value-added services integrating investment forum, hotspot analysis, cultural experience and health maintenance, VIP airport service and customised activities for ultra-high net worth customers. In addition, while expanding the exclusive portfolio of investment and wealth management products for its private banking customers, the Bank also strongly promotes its family trusts and insurance trust businesses to cater to the wealth continuity needs of its private banking customers.

Bank Cards

The Bank provides various types of bank card products to its retail customers, including debit cards and credit cards.

Debit Cards

The Bank issues various types of debit cards to retail customers who have deposit accounts with the Bank. The debit card customers can enjoy various financial services, such as cash deposit and withdrawal services, money transfer services and settlement and payment services. The debit cards also have other functions, including pre-arranged deposit functions, automatic payment functions and agency collection and payment functions. The Bank issues classic cards and gold cards based on the type of customers. Income from the debit cards business is mainly generated from commissions charged to merchants who accept the cards and service fees charged to cardholders.

Credit Cards

The Bank launched its credit card business in April 2015. The Bank intended to turn this business into a new profit source through innovating and providing specialised services in niche business fields. The Bank also aims to focus on improving customer experience and on developing the customer base by increasing the number of the young customers. For example, the Bank issued a credit card product with an automobile theme which provides services relating to automobiles, such as discounts for car washes, and gas refills, as well as free roadside assistance services.

The Bank is also committed to promoting technological innovation and are actively developing virtual credit cards to further optimise the internet financing system. The Bank cooperated with an international card organisation VISA and jointly issued the Visa Card with Crowd-funding Dreams; launched characteristic services including personalised card; carried on card issuance promotion activities including "concerted efforts, crowd-funding dreams" and "spring blossoms" and built promotion brand "Accommodation & Entertainment, Full Strategies for Life in Zhejiang" (食宿行樂,浙有生活全攻略), which greatly improved the customers' card using experience and service quality. The Bank was rewarded the "Most Potential Award for UnionPay Card Business", "Sincere Cooperation Award for Visa in China's Banks" and "TOP Digital Brand Building Gold Award".

In recent years, the Bank has launched themed cards such as the "Feiniu Card" and "Qinghe Card" based on customers' demands, upgraded relevant rights and interests of car cards, carried out marketing activities themed with "Fun Together" and "Weekly Swiping" and provided the "worry-free tax rebate" service. The Bank's publicity and marketing plans for such cards were carried out jointly with well-known global chains in the food and beverage and health and wellness industries to expand the Bank's market influence. The Bank successfully launched the Zheshang Credit Card App and innovatively developed the credit "E-card" to realise the real-time issuance of credit cards and; continuously optimised the instalment structure to improve and perfect the scenario-related instalment system.

The Bank has also launched co-branded theme cards including "Qidian Card" (起點卡), "Shenzhou Chuxing Card" (神州出行卡). It launched the "Xinyi Card" (信易貸), which features "real-time issuance, convenience and rapidness", and a pocket money product, which allows "immediate borrowing and repayment". The Bank also expanded its customer base through the development of scenario-based methods of customer acquisition, including loan instalments products for parking spaces, home renovations and cars. With a focus on the "interesting life" theme, it acquired online and offline merchants, and enriched marketing scenarios, further enriching the living rights and interests of card holders, and built a distinguishable brand identity.

The Bank has also launched credit card products based on its platform-based retail strategy. These credit card products include "Wuqiong" (無窮卡), "Zengjin Card" (增金卡) and the "Thousand Talents Programme". With a focus on developing platform-based operations, the Bank also launched an MBA tuition instalment product and "e-loans" (e借金). In addition, it launched the all-in-one express credit business, allowing the application for various businesses in one form to simplify the application materials. It also realised online instant pre-credit granting for car parks to continuously improve customer satisfaction.

To diversity its credit card products, the Bank has launched "CZBANK Online Card" (浙銀在線卡) and "CZBANK & Jingdong Co-Branded Credit Card" (京東金融聯名卡), and to improve customer loyalty and brand recognition, the Bank has developed brand themes, for example, organising a series of events with the theme "Fun Life" (趣生活) for UnionPay Card holders.

As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Bank had issued 2.5 million, 3.5 million, 3.7 million and 3.7 million credit cards, respectively.

Treasury Business

Overview

The Bank's treasury business primarily comprises money market business, investments in bonds and other financial asset, foreign exchange and derivative trading and treasury business conducted on behalf of customers. The treasury business of the Bank also manages the liquidity level of the Group, including the issuance of debt securities. In recent years, it has experienced rapid growth. For the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, operating income from the treasury business was RMB10.2 billion, RMB8.7 billion, RMB10.0 billion, RMB4.9 billion and RMB5.4 billion, respectively, representing 29.8 per cent., 22.2 per cent., 21.4 per cent., 21.5 per cent. and 21.5 per cent. of the Group's total operating income, respectively.

Money Market Business

The money market business mainly includes (i) short-term placements with and from banks and other financial institutions and deposits with and from banks and other financial institutions; (ii) securities repurchases and reverse repurchases with banks and other financial institutions (the financial assets involved in such securities transactions are primarily bonds issued by the PRC central government and policy banks); (iii) notes and other assets purchased under resale agreements with other banks; (iv) inter-bank certificates of deposits issued to satisfy mid-to long-term funding needs; and (v) operations that fulfil obligations of the Bank as a primary dealer in open market operations to timely reflect intended goals of monetary policies. The Bank uses money market transactions to meet the Bank's liquidity needs.

Investments in Bond and Other Investments Classified as Receivables

Bond Investments

The Bank's bond investments primarily comprise investments in government bonds and bonds issued by policy banks and other financial and non-financial institutions. For the bond investments, the Bank continuously monitors changes to the credit conditions of relevant assets and uses various analytical tools to conduct scenario analyses of market risks, such as adverse movements of asset prices and benchmark interest rates, so as to develop corresponding contingency plans and timely adjust the investment strategies.

Investments Classified as Receivables

The Bank's investments in other financial assets mainly include investments in trust plans managed by trust companies, asset management plans managed by securities and insurance companies and wealth management products issued by other the PRC commercial banks. The investments in these three types of assets have increased significantly since 2013 which had driven the growth of the Bank's treasury business. Such increase was mainly because the Bank has actively strengthened its cooperation with banks and non-banking financial institutions to expand the treasury business, since the Bank believes such investments would provide reasonable returns with manageable risks. Such increase is also attributable to, among other things, (i) the Bank's reduced reliance on the traditional model of providing deposit, loan and remittance services, (ii) the adjustment on asset allocation focusing on profitability while maintaining effective risk management, and (iii) the active response to the challenges that the traditional credit business faces, such as interest rate liberalisation and narrowing interest spread.

The Bank's investments in trust plans, asset management plans and wealth management products are all deemed as debt instruments classified as receivables in the financial statements.

The Bank has formulated a liquidity risk contingency plan in relation to these assets. The Bank has adopted appropriate contingency measures based on the level of liquidity risks. To meet short-term liquidity needs, the Bank generally uses its high quality liquid assets reserves and initiate relevant fund allocation procedures to bring the liquidity indicators to an appropriate level. Under extreme circumstances where the disposal of the Bank's investments in trust plans, asset management plans and wealth management products is not feasible and therefore cannot provide sufficient liquidity support, the Bank plans to review the potential impact to determine appropriate measures, including the control or suspension of certain new asset businesses and disposal of certain assets to maintain sufficient liquidity support.

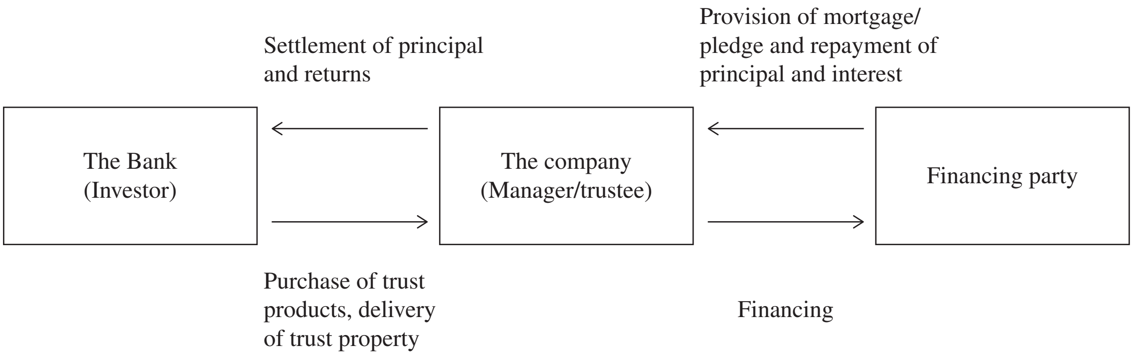
In April 2014, the CBRC, jointly with other government authorities, issued the Notice on the Regulation of Interbank Business in Financial Institutions ("**Circular 127**"), which provides that financial assets purchased for resale (sold under repurchase agreements) shall be bank acceptance bill, bond, central bank bill and other highly liquid financial assets traded on the interbank market and the stock exchanges with reasonable fair value. The same circular also provides that the financial institutions that engage in the businesses of purchase for resale (sales under repurchase agreements) and interbank investment shall not accept or offer any direct or indirect, explicit or implicit credit guarantee from or to third-party financial institutions, unless otherwise stipulated by the government. Since Circular 127 became effective, the financial assets purchased for resale (sold under repurchase agreements) by the Bank all meet the relevant requirements under the Circular 127 and the Bank no longer accepts or offers any credit guarantee from or to third-party financial institutions in the conduct of businesses of purchase for resale (sales under repurchase agreements) and interbank investment business.

Trust Plans

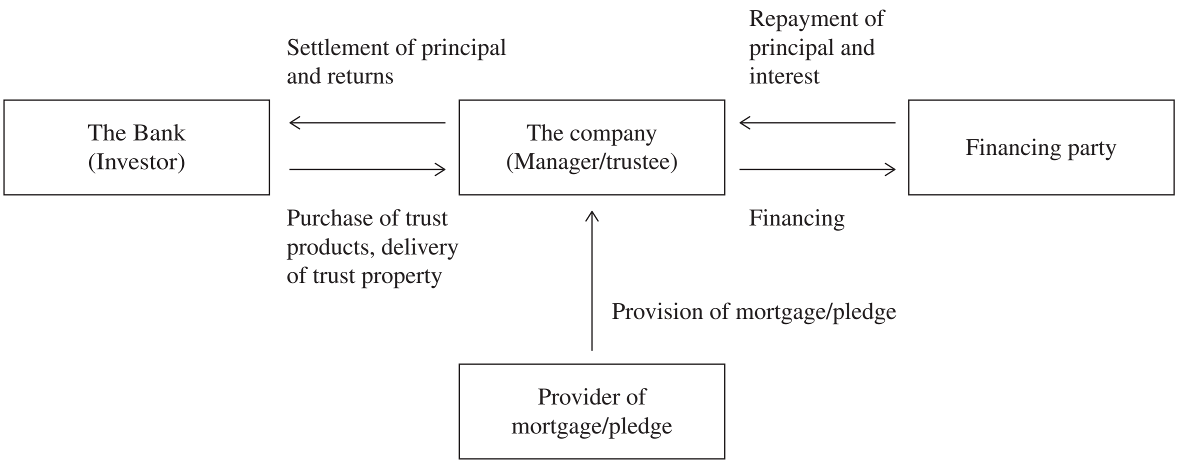
By investing in trust plans managed by trust companies, the Bank entrusts trust companies to manage the funds provided by the Bank. The trust companies extend credit to the financing parties as principals. The Bank's investment strategy with respect to trust plans is to achieve a long-term stable return on investments by investing funds which are legally owned and readily disposable by the Bank in financial products issued by trust companies. The Bank believes that its investments in trust plans provide stable returns with acceptable risks and are in compliance with regulatory policies. During its investment decisions making process, the Bank takes into account factors such as the trends in the development of the PRC financial market and the qualifications of other financial institutions.

The financing parties' obligations owed to the trust companies are secured by mortgages or pledges granted by the financing parties or guarantors to the trust companies or by irrevocable joint and several guarantees provided by risk mitigation providers to the trust companies. The financing parties use the funds provided by the trust companies for their business operations and are required to repay the principal and expected contractual returns within the trust term. The following diagram sets out the relationship among the parties involved in the Bank's investments in trust plans:

In cases where financing parties provide guarantees to the trust companies:



In cases where third party entities provide guarantees to the trust companies:



The PRC legal adviser of the Bank, Zhejiang T&C Law Firm, has advised that, in accordance with the Trust Law of the People's Republic of China, trust property is required to be segregated from the property owned by a trustee, and may not be commingled with, or become part of, a trustee's own property. As a result, any amounts realised from mortgage/pledge rights under trust assets and trust plans held by a trust company may not be used to repay its own debts. The mortgage/pledge rights of trust assets and the trust plans the Bank has invested in should not be affected by a trust company's financial difficulties, insolvency or bankruptcy.

The Bank manages the risks associated with its investments in trust plans primarily through the following four procedures:

- Investment decision making is integrated into the Bank's centralised credit management process. The responsible department is required to file credit reports for the financing party or counterparties according to the Bank's internal credit management requirements. The proposed investment is then submitted to authorised personnel for approval according to the Bank's authorisation management requirements.

- Before making the investment, the department handling the investment is required to conduct due diligence and feasibility studies. The financial market risk management department of the Bank also reviews the business plan and assesses the financing project, the financing party, the risk mitigation provider and the risk mitigation method. The proposed investment is then submitted to authorised personnel for approval according to the Bank's authorisation management requirements.

- Contractual documents relating to the investment are reviewed and approved by the legal departments of the Bank.

If a trust company is unable to fully recover the contractual returns on, and the principal of, the investments from the financing parties, the Bank plans request that the trust company take appropriate actions, such as bringing lawsuits or urging the financing parties or their guarantors to fulfil their obligations, in order to mitigate the losses, and will exercise the Bank's rights against those parties.

Each of the Bank's investments in trust plans is subject to a multi-tiered, case-by-case review and approval process. The operating department of the Bank is responsible for due diligence investigations; the legal departments of the Bank is responsible for reviewing legal documents and analysing parties' rights and obligations; and the financial market risk management department is responsible for risk assessment and crafting precautionary risk proposals. For transactions which reach certain amounts, the financing projects are submitted to the Bank's investment and transaction review committee at the head office for discussion before final approval is given. Only after going through each procedure may the Bank's investments be approved by the authorised personnel.

Asset Management Plans

The Bank invests in asset management plans managed by securities organisations (such as securities firms and fund management companies) and insurance organisations (such as insurance asset management companies). The Bank began such investments in 2013. The Bank primarily invest in negotiated deposits with other banks and inter-bank deposits.

The asset management plans invested by the Bank are mainly related to directional asset management plans, designated asset management plans and insurance asset management plans, with the investment amounts generally ranging from RMB100 million to RMB1,000 million and a term generally less than 12 months.

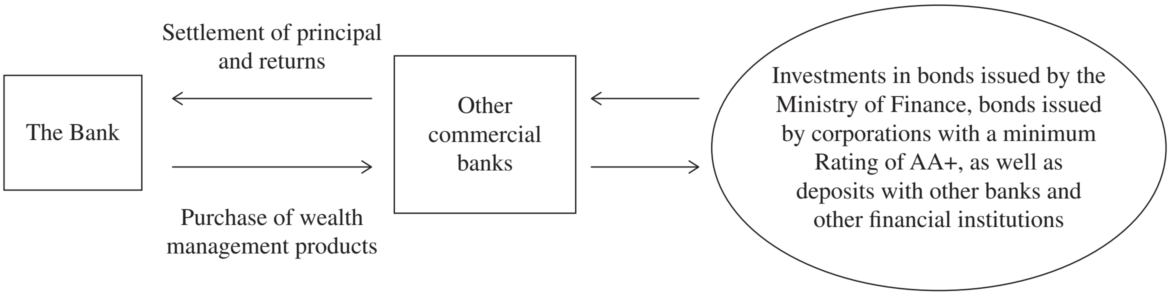
The Bank enters into asset management contracts with counterparties such as securities firms, fund management companies and insurance asset management companies, such counterparties are required to possess certain qualifications and to be well-known in their relevant fields. These counterparties then invest the Bank's funds through the accounts opened by the Bank in third-party custodian banks in accordance with the asset management contracts. These counterparties are responsible for any losses resulting from their management of the Bank's entrusted funds if such management was not in compliance with the terms and conditions of the asset management contracts. The custodian banks are responsible for any losses incurred by the counterparties to the asset management contracts of the Bank or the Bank if such losses are the result of the custodian Bank's failure to perform custody services in accordance with the asset management contracts. The counterparties to the Bank's asset management contracts do not provide any guarantees in relation to the asset management plans in which they invest the Bank's funds. Should the banks issuing the negotiated deposits or inter-bank deposits which the Bank invests in default, the Bank would request the counterparties to the Bank's asset management contracts to take actions against the banks to mitigate the Bank's losses.

The asset management plans the Bank invested in have all complied with the Bank's risk assessment policies regarding inter-bank credit extension and have been in the management list of inter-bank credit extension since 2013. The custodian banks which the Bank cooperates with, which includes the large commercial banks, nationwide joint-stock commercial banks and reputable city commercial banks, were all on the Bank's financial market business trading admittance list and cooperating with them is in compliance with the Bank's risk assessment criteria regarding inter-bank trading parties. All of the Bank's investments in asset management plans are with fixed or determinable income where the principal and returns are paid to the Bank as scheduled.

The Bank has a centralised review, approval and management model which is directly carried out by the head office and manages credit risks associated with the Bank's asset management plans. The proposed asset management plans are reviewed by the Bank's financial market risk management department. For transactions which conform to a certain standard, the asset management plans are also submitted to the Bank's investment and transaction review committee at the head office for further discussion before final approval is granted.

Wealth Management Products Issued by Other Commercial Banks

The Bank invests in wealth management products issued by other commercial banks. Such commercial banks in turn invest such amounts in bonds issued by the Ministry of Finance, bonds issued by corporations with a minimum rating of AA+ as well as deposit with other banks and other financial institutions. The yields of the wealth management products the Bank invests in depend on their investment portfolios. In accordance with the agreements between the Bank and the commercial banks that issue the wealth management products the Bank invests in, such commercial banks are required to pay investment yields to the Bank quarterly or annually, with payment of the principal and outstanding investment yields being made upon maturity. The following chart illustrates the relationship among the parties involved in the Bank's investments in wealth management products issued by other commercial banks.



The Bank is of the opinion that the wealth management products issued by other commercial banks, which the Bank has invested in, are suitable inter-bank investments as they are generally supported by the other commercial Bank's credibility and have relatively manageable risks and stable returns. All of the Bank's investments in wealth management products issued by other commercial banks were principal-protected since 2013.

In order to manage the credit risks associated with such investments in wealth management products issued by other commercial banks, the Bank has adopted the following measures: (i) the head office approves and manages the Bank's investments in wealth management products issued by other commercial banks, and no branches or sub-branches may make such investments without prior authorisation from the Bank's head office; (ii) the Bank manages the credit risks of the commercial banks issuing the wealth management products according to its centralised credit management process and assesses the operating conditions, financial conditions, off-balance sheet commitments, compliance with regulatory indicators, risk events, proposed cooperation and other features of these commercial banks. The Bank reasonably arranges its investments according to the results of such assessments, the Bank's asset and liability structure and the credit approval requirements; (iii) in terms of investment scope, the Bank generally invests in products internally rated by the issuers as "very low risk" or "robust", such as cash, bonds issued by the Ministry of Finance, interest rate bonds, bonds issued by corporations with a minimum rating of AA+ as well as deposits with other banks and other financial institutions. The Bank's team responsible for the investments in financial assets that are classified as receivables are familiar with the macroeconomic policies of the PRC government. They also have experience with investment operations, risk management and market analysis and can implement the Bank's overall investment strategy effectively to achieve favourable returns on investments.

Treasury Business Conducted on Behalf of Customers

The Bank also provides wealth management services and offer foreign exchange agency transactions to corporate and retail banking customers.

Management of Proceeds Received from the Issuance of Wealth Management Products

The proceeds the Bank raises from the sale of its wealth management products are primarily invested in fixed-income investments, such as money market instruments, bonds, non-standard debt assets and other equity products. The Bank classifies its wealth management products in accordance with the Measures on Supervision and Administration of Wealth Management Business of Commercial Bank (the CBRC Order [2018] No. 6) promulgated by the CBIRC in 2018.

In accordance with the requirements of the CBIRC, the Bank manages each wealth management product independently through separate accounts and book-keeping, with each wealth management product matching its underlying investments.

The Bank generally prices the wealth management products by taking into consideration the comparability and competitiveness of its competitors and the conditions of the market. When setting the yield for the wealth management products, the Bank selects certain banks for reference, including the large commercial banks, 12 other nationwide joint-stock commercial banks and the city commercial banks whose sizes are similar to the ones the Bank has, and refer to the investors in their products, the types of products they offer, as well as the orientation, terms and minimum subscription amounts of their products. The Bank tries to price its products competitively to promote its brand and increase its market influence.

PRICING

The Bank has established and strives to continually optimise its competitive product pricing mechanism which is based on risk-adjusted returns and is subject to applicable the PRC regulatory requirements. In setting prices, the Bank considers various factors, such as the cost of capital, management costs, cost of risks, and expected rates of return. In addition, the Bank also consider the contribution of each customer to the Bank's business, the prevailing market conditions and the prices for similar products and services offered by the Bank's competitors. The pricing policies and benchmark prices of the Bank are determined by the asset and liability management department at head office. The business units of the Bank determine, monitor and manage the pricing standards for their products and services within their respective scope of authority.

Loans

The PBOC regulates pricing for certain commercial banking products and services, such as the Bank's RMB-denominated loans. There has been no upper limit on interest rates for RMB-denominated loans since October 2004, and the lower limit, which had been at 70 per cent. of the relevant PBOC benchmark rate, was removed in July 2013. With respect to personal mortgage loans, for families purchasing their first residential home, the interest rate may not be lower than 70 per cent. of the relevant PBOC benchmark rate. The same standard applies for families purchasing a second unit to improve their living condition who have repaid their first mortgage in its entirety. However, in regions where there are no real estate purchasing restrictions imposed, and in cases where families already have two or more residential property units, have repaid relevant mortgages and are applying for mortgages to buy another, banks are required to be prudent when determining the minimum down payment and interest rate, and are to take into account factors such as the borrowers' ability to repay, their credibility and their creditworthiness.

On 25 August 2019, the PBOC issued the Announcement on the Interest Rates of New Commercial Personal Housing Loans (the PBOC Announcement [2019] No. 16) (中國人民銀行公告[2019]第16號 – 新發放商業性個人住房貸款利率公告), which stated that from 8 October 2019, the interest rates of newly issued commercial personal housing loans will be determined by taking the interest rate of the loan market for the corresponding period in the most recent month as the benchmark interest rate and adding basis points. The added basis points should meet the requirements of national and local housing credit policies, reflect the risks of the underlying loan, and be fixed within the contract period. The interest rate of the first batch of commercial personal housing loans shall not be lower than the interest rate of the loan market for the corresponding period, and the interest rate of the second batch of commercial personal housing loans shall not be lower than the interest rate of the loan market for the corresponding period plus 60 basis points.

Interest rates for foreign currency-denominated loans are generally not subject to the PRC regulatory restrictions, and the Bank is permitted to determine the interest rates for such loans at its discretion and based on market conditions.

The loan interest rate pricing system of the Bank includes base loan interest rate (貸款基礎利率), listed loan interest rate (貸款掛牌利率), business guideline loan interest rate (貸款業務指導利率), and actual loan interest rate (貸款實際執行利率). The base loan interest rate (貸款基礎利率) refers to the loan interest rate determined by the Bank through the calculation of loan capital cost, management cost, tax cost, risk cost and other costs, combined with minimum capital return requirements and target income requirements. The listed loan interest rate (貸款掛牌利率) refers to the loan interest rates of products with various terms announced by the Bank. Based on the base loan interest rate and the loan prime rate announced by the National Interbank Funding Centre (全國銀行間同業拆借中心) every month, the Bank takes into consideration its development strategy, its assets and liabilities, market conditions, and interbank listed loan interest rates to determine the Bank's listed loan interest rate. The business guideline loan interest rate (貸款業務指導利率) refers to the loan interest rates for the Bank's ordinary customers, which are implemented by referencing the interest rates of the Bank's different loan products. The Bank determines the business guideline loan interest rate (貸款業務指導利率) based on the listed loan interest rate (貸款掛牌利率) and by taking into consideration its business development strategies, product features, and interest rates of interbank products. The actual loan interest rate (貸款實際執行利率) refers to the actual interest rate under the loan contract between the Bank and the customer. The Bank determines the actual loan interest rate (貸款實際執行利率) based on the business guideline loan interest rate (貸款業務指導利率) and in accordance with the customer's comprehensive contribution, credit and guarantee method, and the term, amount, method for determining any floating interest rate, drawdown and repayment method, and market conditions.

Deposits

The upper limit of floating interest rate for deposits with commercial banks and rural cooperative commercial institutions was removed on 24 October 2015. As a result, the Bank has set competitive benchmark rates according to its business scale and market share. For certain clients, the Bank plans to set specific execution rates depending on the clients' attributes and contributions to the Bank's business. Beginning in 2004, the PBOC liberalised deposit and lending interest rates among financial institutions, and the Bank now determines such rates based primarily on official interest rates set by the PBOC, as well as by considering market interest rates and the asset and liability management policies. The Bank is permitted to negotiate interest rates on foreign currency deposits (other than deposits made by domestic residents) which are denominated in US dollars, Euros, Japanese Yen or HK dollars with a term of one year or less and in an amount of less than U.S.$3.0 million. Such deposits may not exceed the interest rates on small sum foreign currency deposits stipulated by the PBOC. Interest rates on interbank foreign currency deposits and foreign currency deposits of non-PRC residents are generally not subject to the PRC regulatory restrictions, and the Bank is permitted to negotiate the interest rates on such deposits. The benchmark rates for different types of deposits are determined by the head office of the Bank.

Other Intermediary Products and Services

The Bank generally determines fees and commissions for other intermediary products and services (which consists of underwriting service, fees from bank cards, credit commitment service, custodian and other fiduciary service, settlement business, agency service, asset management service and others) based on market conditions, with the exception of certain services which are subject to the PRC government's guideline prices, such as the price for basic RMB settlement services, which is specified by the CBIRC and the NDRC.

E-FINANCE CHANNELS

The Bank has established an integrated marketing system. The head office of the Bank crafts the integrated development plan and strategy, marketing strategies and industry policies for its corporate banking business and retail banking business. Based on the strategies crafted by the Bank's head office, each branch develops its own marketing plans and deploys marketing resources to execute the marketing strategies based on a detailed analysis of local market conditions and policies.

The Bank encourages cooperation and cross-selling of products and services among the different departments and business lines. The head office of the Bank proactively coordinates with the branches to compile information from customers in each of the business lines, enhance the development and maintenance of the customer resources, promote cross-selling and carry out joint marketing activities so as to facilitate the development of both its corporate banking business and its retail banking business.

For the Bank's corporate banking business, the Bank focuses on establishing long-term cooperative relationships with its strategic customers. The Bank uses innovative approaches to increase customer loyalty. For example, the Bank has made significant efforts to promote its bills pool products so as to attract cash flows from customers and increase customer reliance on its services. The Bank is also expanding its customer base by developing business relationships with its core customers' upstream suppliers and downstream distributors.

With respect to retail banking business, the Bank follows customer-oriented principles, utilise differentiated retail customer services and systematic management and study the customer's unique needs to improve its ability of providing comprehensive financial services. The Bank is also strengthening its product innovation. In addition to expanding its customer base, the Bank seeks to maximise retail customer revenues by providing innovative and competitive products, such as "Zengjinbao" (增金寶). In addition to cultivating high net-worth customers, the Bank also considers several client groups, including young clients, to be the core clients, and actively explores end-to-end services, which span from product research to marketing and promotion. In addition, the Bank seeks to optimise the management structure and distribution network of the retail banking business by cross-selling, improving its online and offline customer experience and improving the management structure and outlet network of its individual businesses.

For small and micro enterprises, the Bank aims to continue to target at the customers with a small business size, good business conditions and a location within or close to the regions where the Bank operates and to strengthen its business and production innovation. The Bank plans to reinforce its competitiveness and brand reputation with respect to its small and micro enterprises business through adapting to, and connecting with, the development of new industries as well as trends related to internet financing.

The Bank promotes banking products and services through its comprehensive branch network and E-banking channels. In light of the development of internet finance business, the Bank is strengthening its marketing efforts on online channels and increasing its advertising on social networks, such as WeChat, which enhances the Bank's ability to acquire customers with reduced customer acquisition costs. The Bank plans to upgrade the products provided by, and the functions of, its online direct selling banking in order to increase its business flow and increase the number of its customers. With respect to its intermediary business, the Bank seeks to increase promotion by utilising numerous channels, such as word-of-mouth marketing, advertising, public relations and new media marketing. The Bank believes that such efforts can increase its marketing in a holistic, multi-layered and modernised manner so as to enhance its brand and attract customers.

The Bank provides products and services to its customers through its branch outlets and e-banking channels.

Outlet Network

The Bank is headquartered in Hangzhou. As at 30 June 2020, in addition to the head office, the Bank has established 260 branch outlets, covering the Yangtze River Delta Area, the Bohai Rim Area, the Pearl River Delta Area, certain other areas in Central and Western China with a developed economic position and in Hong Kong.

E-banking

The Bank has established an electronic banking service system comprising online banking, telephone banking, mobile phone banking, WeChat banking and self-service banking. This system provides both corporate customers and retail customers with services, including account management services, cash deposit and withdrawal services, money transfer services and investment and wealth management services, in order to improve the customer experience and increase degree of the customer's satisfaction. The substitution rate of the Bank's e-banking channel has reached 99.4 per cent., which is a leading level in the industry.

Online Banking

The online banking platform of the Bank, www.czbank.com, provides financial products and services to both corporate customers and retail customers. The online banking products and services mainly include information management services, account management services, transfer and remittance services, cash concentration services, investment and wealth management services, online payment services, electronic bank draft services, loan services, credit card services, debit card services, appointment services and a loyalty program. The Bank continually optimises its personal and corporate online banking platforms. For example, it has simplified the operations of frequently used functions and increased its service capabilities on its personal online banking platform and upgraded its corporate online banking platform to allow corporate customers to customise their online banking menu so that the Bank may provide personalised services. The Bank also launched new interface with a style that can greatly facilitate friendly interaction.

As at 30 June 2020, the Bank had 1,429,900 customers with personal online banking certificates. For the six months ended 30 June 2020, the Bank conducted transactions with an aggregate amount of RMB785.3 billion via personal online banking, as compared to RMB423.8 billion for the same period in the previous year. As at 30 June 2020, the Bank had 149,400 customers with corporate online banking certificates. For the six months ended 30 June 2020, the Bank conducted transactions with an aggregate amount of RMB4,233.0 billion via corporate online banking, as compared to RMB5,058.2 billion for the same period in the previous year.

Telephone Banking

The Bank offers automated voice-and teller-operated telephone banking services through its customer service hotlines (95527) 24 hours a day, seven days a week. The Bank's telephone banking services include account enquiries, transfers, loss reporting services, investment and wealth management services, business management and consulting services and complaint reporting services. In recent years, the Bank has applied big data and artificial intelligence technologies to establish a multi-channel telephone banking service platform and optimise its customer service.

Mobile Banking

The Bank began offering mobile phone banking services in 2011. Through mobile phone banking, the Bank provides such services as account enquiries, transfers, remittance services, credit card management services, investment and wealth management services, services related to its loyalty program, appointment making services and outlet location services. In addition, the Bank's mobile phone banking services also provide its customers with certain value-added services, such as telephone fee recharging services, cinema ticket booking services and value top-up services for online game cards. This gives the customers access to secure and personalised banking services. In addition, the Bank provides its customers with an SMS notification service, whereby the Bank sends the customers text messages relating to bank account transactions, safety verification and payments of fees.

In recent years, the Bank increased the application of interactive intelligence technologies to improve customer experience and provide a one-stop comprehensive financial service to customers in an efficient, secure and convenient manner. The Bank has launched a clean version of its mobile banking application with bigger font size, convenient operating procedures, simplified functions and distinctive services to improve its online service capability for middle-aged, elderly and minimalist customers. It also launched the QR code marketing function for its asset pool, wealth management and credit card businesses to expand its online marketing channels. Furthermore, to complement its corporate online banking operations, the Bank's corporate mobile banking application allowed the legal person and financial officer of an enterprise to handle transfers and remittances, bank wealth management, international settlement, electronic notes and other corporate financial management matters in an efficient and convenient manner and at any time in any place, and provided distinctive services available for small enterprise owners, such as small amount transfers and loans.

As at 30 June 2020, the Bank had 3,703,800 personal mobile banking customers.

WeChat Banking

The Bank began offering a WeChat banking service in August 2014.

This service consists of three major sections (debit card, credit card and a general service platform), and provides account inquiry, wealth management trading and information provision services, including but not limited to, account inquiry services, services relating to "Zengjinbao" product, small and micro financial services and customer assistance services. The Bank also expects to expand its WeChat banking service to include other type of services, such as WeChat wealth management services, credit card bill reminder services, the ability to make service appointments and branch and outlet location services, in order to further improve the customer experience. As at 30 June 2020, the Bank had approximately 2,430,000 WeChat banking users and messages sent by the Bank's WeChat banking application received over 1,840,000 accumulative views.

In 2018, the Bank launched its official WeChat application, which allows customers to access real-time information in relation to its wealth management products, precious metals, foreign exchange rate and other financial products via WeChat scanning. This mini application contains the "Finance Market" (財市場) module, which allows customers to purchase, transfer and manage their wealth management products, providing a one-stop shop service, and other functions including "personal e-deposits" (個人e存款) and "e-loans" (財e貸). In addition, this mini application allows customer to make online appointments for branch outlets. As at 30 June 2020, the Bank had approximately 2,430,000 WeChat banking users.

Self-service Banking

The Bank's self-service banking facilities offer a variety of self-service banking services. The Bank provides self-service machines, such as ATMs, cash recycling systems and self-service transfer machines, which have multiple functions, including allowing customers to make deposits, withdraw cash, transfer funds, check account balances and change passwords. These machines provide the Bank's customers with banking services 24 hours a day, seven days a week.

INFORMATION TECHNOLOGY

The Bank has established the financial technology department to fulfil the information technology needs of its business operations. In recent years, the Bank has focused on developing its platform-based service system and structure, continued to improve its innovative application of financial technologies, further integrated technology into its business operations, and improved management and customer experience. The Bank is committed to the continuous development and improvement of the comprehensive financial solution of "technology + finance + industry + customer" and platform-based applications, research and application of blockchain technology, transformation of its IT infrastructures, and improvement of the big data platform.

The Bank has begun to implement its financial technology development plans "π Plan" (π計劃) and "π+ Plan" (π+計劃), changing the Bank's operations and services. The Bank's financial technology development strategy includes focusing on the Bank's platform-based service strategy, in-depth implementation of the "π Plan" (π計劃) and "π+ Plan" (π+計劃) to integrate technology into the Bank's product designs, improve customer service, and improve management. The Bank primarily applies financial technology to three areas of its operations: customer acquisition channels, operations management and risk control.

The Bank aims to continue to enhance research and development, application capabilities in the field of financial technology, technology leadership, and the level of technology specialisation, and explore effective in-house development of new technologies. The Bank also aims to continue to increase investment in science and technology, train science and technology talent, create conditions to attract and maintain talent, and cultivate talent who understand both finance and science and technology. The Bank continuously improves its safety and operation capabilities, disaster recovery system, information security system, cyber security governance, and scientific and technological risk management to ensure there are no major risk events.

Certain of the Bank's applications under the platform-based service system have won awards. For example, in 2020 the Bank's pooled financing platform and blockchain technology platform won the second prize of the PBOC's "Banking Technology Development Award" ("銀行業科技發展獎"二等獎), and the receivables chain platform won the PBOC's "Banking Technology Development Award" ("銀行業科技發展獎"三等獎) and the "Top Ten Examples of Zhejiang Financial Technology" award (浙江省政府"浙江金融科技十大案例") from the Zhejiang Provincial Government. In addition, the Bank's big data risk control platform was awarded the "Top Ten Examples of Zhejiang Financial Technology" by the Zhejiang Provincial Government in 2019 (2019年浙江省政府"浙江金融科技十大案例"), and the "2020 China Financial Technology Innovation Competition" (2020中國金融科技創新大賽) sponsored by China E-Bank(中國電子銀行網) in 2020.

For information about the Bank's risk management controls in relation to its information technology operations, see "*Risk Management – Information Technology Risk Management*".

COMPETITION

The Bank faces competition mainly from other commercial banks in the regions in which the Bank operates. The Bank's main competitors include the large commercial banks and other nationwide joint-stock commercial banks. In addition, the Bank also faces competition from city commercial banks. The Bank competes with banking competitors primarily on product offerings and prices, service quality, convenience of obtaining bank financing, brand recognition, information technology capabilities, risk control capabilities, attracting talent, business strategy and culture.

The Bank also competes with non-banking institutions with respect to the provision of financial services. For example, the Bank competes with small-loan companies in offering financing to small and micro enterprises, and with insurance companies, securities companies and fund management companies in attracting customers' funds. Non-financial institutions, such as internet-based finance companies, also place competitive pressure on the business of the Bank.

In recent years, the relevant government authorities have gradually removed protective policies in the financial industry in the PRC. The Bank expects such policy changes will increase the presence of international entities providing financial services and increase competition in the financial industry in the PRC.

Competition between the Bank and foreign financial institutions may intensify in the future. In particular, the lifting of various restrictions on foreign financial institutions conducting business in the regions where the Bank conducts its business may cause the Bank to lose the existing competitive advantage over foreign financial institutions in the PRC. The Bank anticipates that there will be more competition with foreign financial institutions in the future, and such intensifying competition may have an adverse effect on its business and results of operations. See "*Risk Factors – Risks Relating to the PRC Banking Industry – The Bank faces intense competition from other banks and financial institutions in the PRC banking industry, as well as competition from alternative investment and financing channels*".

To adapt to this increasingly competitive environment, the Bank intends to continue to focus on corporate liquidity management and develop its distinctive corporate banking business centred on its pooled financing platform, electronic banking platforms, and accounts receivable chain platform.

EMPLOYEES

As at 30 June 2020, the Group had 15,331 employees (including dispatched employees, outsourced technicians and employees of the subsidiaries of the Bank), of which 6,347 employees were marketing personnel, 1,537 employees were counter personnel, and 7,332 employees were middle office and back-office personnel. 3,079 of such employees had obtained a post-graduate degree or above (59 employees had obtained a doctorate degree), 11,096 of such employees had obtained a bachelor's degree, and 1,041 of such employees had obtained a college degree or below.

The Bank believes that its sustainable growth depends upon the capabilities and dedication of its employees and recognises the importance of human resources to improve its business, financial condition and operating results. The Bank devotes substantial resources to recruiting and training its employees. The Bank has also established a performance-based remuneration system, pursuant to which an employee's remuneration is determined based on his/her performance review. The Bank contributes to its employees' social insurance and provides housing funds and certain other employee benefits in accordance with applicable the PRC laws, rules and regulations. All of the Group's employees participate in a basic social pension insurance scheme, and as at 30 June 2020, 89 employees had retired from the Bank. The labour union of the Bank represents the interests of the employees and works closely with the Bank's management on labour-related issues. The Bank believes that the management will be able to continually maintain a good relationship with labour union of the Bank.

Following the remuneration policies that are in line with the Bank's development strategies, guided by the concept of "people first", oriented to market, and equipped with comprehensive standardised management, the Bank aims to improve its remuneration management mechanism, under which levels of employees are determined based on their positions, and salaries of the employees are determined based on their levels, and optimised the remuneration determination mechanism, under which the individual performance of an employee and the organisational performance of the team where the employee belongs to will be associated with the salary of the employee. Focused on both welfare and incentives of employees, the Bank is trying to establish and develop a market-oriented remuneration system based on the value of each position, capacity and performance of each employee, reflecting internal fairness and external competitiveness, co-development of both the employees and the Bank.

Centred on the Bank's operation and development strategies, based on the improvement of professional capabilities and performance results, the Bank focuses on the training of core staff, key employees and special talents on top of all-staff training. In order to improve the overall capacities of employees, the Bank has organised various types of trainings such as leadership training and the training for core staff and key personnel.

INTELLECTUAL PROPERTY

The Bank's intellectual property primarily includes trademarks, a technology patent, a domain name and software copyrights.

The Bank registered with the Zhejiang Provincial Administration for Industry and Commerce on 26 July 2004 following its reorganisation and officially commenced operations on 18 August 2004 with the "China Zheshang Bank" (浙商銀行) name and logo. The Bank registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the names of "浙商銀行股份有限公司" and "China Zheshang Bank Co., Ltd." on 11 September 2015. The Bank is the registered owner of the internet domain "www.czbank.com". The Bank owns the registered trademarks for "China Zheshang Bank", "CZBANK", "CZB", "浙商銀行", the Bank's logos (such as and), and their various combinations in Hong Kong.

As at the date of this Offering Circular, the Bank is not involved in any litigation, arbitration proceedings or disputes relating to intellectual property.

LEGAL AND REGULATORY

Legal Proceedings

The Bank is involved in certain legal or arbitration proceedings in the course of its daily operations. Such legal or arbitration proceedings primarily include legal or arbitration proceedings brought by the Bank to recover loans. As at 31 December 2017, 2018 and 2019 and 30 June 2020, the Bank was a defendant in pending legal and arbitration proceedings (excluding actions of opposition to execution) with an amount of RMB11.6 million, RMB118.2 million, RMB59.2 million and RMB89.0 million, respectively. The Bank expects that such pending litigations will not materially and adversely affect its business, financial position or operating results.

On 6 March 2018, the Bank entered into a trust agreement with National Trust Co., Ltd. (國民信託有限公司) ("**National Trust**"), under which the Bank was to be the beneficiary and National Trust was to be the trustee of an entrusted loan. On 12 March 2018, National Trust, as trustee, entered into an entrusted loan agreement with Neoglory Holdings Group Co. Ltd. (新光控股集團有限公司) ("**Neoglory Holdings Group**"), as borrower, with a loan amount of RMB1.9 billion (the "**Entrusted Loan Agreement**") and interest. The Entrusted Loan Agreement was guaranteed with collateral and with unlimited joint liability by several third parties (the "**Defendant Guarantors**"). Neoglory Holdings Group subsequently defaulted on its payment of principal and interest under the Entrusted Loan Agreement and the Bank initiated legal proceedings against the Defendant Guarantors for payment of such principal and interest. Although the court has ruled in favour of the Bank, the timing of when such collateral will be realised, the solvency of the Defendant Guarantors and whether the Bank may recover the RMB1.9 billion loan and interest amounts in full remain uncertain. As a result, the Bank has made provisions for the non-payment of such outstanding amounts under the Entrusted Loan Agreement. The Bank does not expect these legal proceedings and provisions to have a material adverse effect on its financial condition or results of operation.

The Bank has recently been involved in legal proceedings relating to guarantee contracts with third party entities. See "– *Recent Developments*."

As at the date of this Offering Circular, the Bank was not acting as a defendant in any material legal proceedings. As at the date of this Offering Circular, none of the Bank's Directors, supervisors or senior management was involved in any material litigation, arbitration or administrative proceedings.

RISK MANAGEMENT

OVERVIEW

Guided by its platform-based service strategy, the Bank adopts a "prudent and solid" risk appetite by focusing on serving the real economy and innovation. The Bank's risk management system aims to strengthen the Bank's customer base and optimise its business structure; facilitate construction of a risk control platform using a big data system; accelerate its collection and resolution work to maintain a consistent quality amongst its assets; and gradually improve its comprehensive risk management system to ensure it achieves its "two most" overall objective in a stable manner. The Bank's board of directors, board of supervisors and senior management are responsible for developing, supervising and implementing the Bank's comprehensive risk management system, respectively. The Bank has a chief risk officer and its senior management has established special committees, including the risk management and internal control committee, asset and liability management committee, credit, investment and transaction review committee, asset risk classification review committee and business continuity management committee.

The risk management department at the Bank's head office is the co-ordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk and information technology risk. The planning and finance department at the Bank's head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at the Bank's head office is the leading executive department for operational risk and compliance risk management. The general office at the Bank's head office is the leading executive department for reputational risk management. The development and planning department at the Bank's head office is the leading executive department for strategic risk management.

The Bank assigns risk monitoring officers to departments with more complex business operations and relatively higher risks at its head office. Risk monitoring officers are responsible for helping leading officers of accrediting departments organise risk management. They are independent of such departments and directly report to the president of the Bank's head office. They make business judgments and independent reports on risk issues. The Bank also assigns risk monitoring officers to its branch offices, who help presidents of such branch offices organise comprehensive risk management with a focus on credit business related risk management, the management and control over risks of large financing customers as well as complicated and difficult businesses and are independent of such branches and directly report to the president of the Bank's head office. Such risk monitoring officers also make business judgments and independent reports on risk issues.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk of the Bank suffering from losses due to defaults of debtors or counterparties or a decline in their credit. The Bank's credit risk primarily lies in on- and off-balance sheet business, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit, letters of guarantee, bond holdings and special purpose vehicle investments.

The objectives of the Bank's credit risk management system are to control the Bank's credit risk within a reasonable range acceptable to the Bank and maximise comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Bank's credit risk management system consists of the Bank's board of directors, board of supervisors, senior management, risk management and internal control committee, credit, investment and transaction review committee of the Bank's head office, credit, investment and transaction review committee of the Bank's branch offices, credit review teams of sub-branch offices, risk management department of the Bank's head office and other credit risk control departments, business operation and management departments, financial technology department, audit department, branch offices, sub-branch offices and subsidiaries. The Bank's senior management team is responsible for implementing and organising the credit risk management as well as the formulation and implementation of systems and policies relating to credit risk management.

The Bank formulates fundamental credit policies based on changes in external operating environment and internal operating and risk conditions. Such policies provide a guidance on certain aspects of the Bank's credit business, such as customer structure, industry structure, regional structure and key business areas. In addition, the Bank regularly adjusts its credit policies based on a continuous tracking of the development trends in the macro-economy and the industry.

The Bank classifies its credit assets by reference to the standards set forth in the Guidelines on Risk-Based Classification of Loans ("貸款風險分類指引") of the CBIRC, comprehensively taking into account such factors as a borrower's ability to repay the loan, repayment record, willingness to repay the loans, profitability of a credit project and status of guarantee. The Bank's credit asset risks are initially classified by client managers, then reviewed by the head of the marketing department and examined by risk management personnel, and finally determined by authorised personnel.

Credit Risk Management for Corporate Customers

The Bank conducts a unified credit management of corporate customers, and determines maximum comprehensive credit lines and business credit lines for customers based on comprehensive evaluation of customers and according to certain standards and procedures.

The Bank strictly complies with relevant regulatory requirements of the CBIRC and puts loans (including trade financing), bill acceptances and discounting, overdrafts, bond investments, special purpose vehicle investments, opening letters of credit, factorings, guarantees, loan commitments and other businesses where credit risks are essentially borne by the Bank under its unified credit extension management. In the full coverage of various types of credit businesses, the Bank determines comprehensive credit limits of single corporate customers, group customers and industries.

The Bank continuously enhances the construction of its credit system, formulates a unified credit quota management system for the Bank's corporate customers, intensifies its comprehensive management and unified control of the total credit quota amount of its corporate customers, improves standardised and normalised credit approval procedures, authorisation system and position risk accountability mechanism, adjusts the Bank's credit policies in time and takes effective measures to prevent credit risks.

The Bank further improves its concentration risk management system by formulating and clarifying the allocation of responsibilities and main processes of its concentration risk management system, and continues to promote the construction of its concentration risk management system.

The Bank continuously enhances the management of risks related to financing platforms of local governments, strictly complies with various loan policies and regulatory requirements of the CBIRC on financing platforms of local governments, makes dynamic adjustments to targets of credit granting, and further optimises the loan structure of financing platforms to prevent credit risks that may arise from local governments' financing platforms; sets credit limits for loans to local governments' financing platforms and enhances the Bank's monitoring and management on the risks.

The Bank continuously enhances the management of real estate loan risks. The Bank prudently engages in the credit business related to real estate industry, and adjusts its credit extension orientation for the real estate industry in accordance with the national policy and industry situation. The Bank sets dynamic credit limits for loans it grants to customers in the real estate industry and adopts the name list system management, and continuously adjusts and optimises the asset structure, as well as strengthens the monitoring and management of risks relating to existing loans.

The Bank continuously enhances the management of loan risks for industries with excessive production capacity, and strictly controls loans that it grants to entities in industries with excessive production capacity.

Credit Risk Management for Small and Micro Enterprises

The Bank conducts unified credit extension management for small and micro enterprise customers, and integrates all types of credit business of small and micro enterprise customers into its unified credit extension management. The Bank actively explores a professionalised operating model, continuously improves its management system and further standardises the procedures and requirements for credit extension to gradually cultivate a featured and standard credit extension model of the Bank.

The Bank continuously strengthens the management of credit risks of small and micro enterprise business and intensifies measures for risk mitigation. The Bank strictly controls overdue loans and non-performing loans by tracking overdue loans and on-site and off-site monitoring.

Credit Risk Management for Retail Customers

The Bank actively builds its credit evaluation system for personal loans, develops and designs personal loan products with complete functions and strong risk resistance capability. The Bank formulates the entry barriers for different groups of customers, adopts controls over overall limits of personal loans, restrains risks associated with loans with multiple borrowers as well as improves and optimises the management mechanism of credit risks associated with personal loans. The Bank continuously enhances selection and management of guarantees and improves its ability to mitigate credit risks. The Bank continues to strengthen subsequent management of personal loans such as post-loan monitoring, collection of overdue loans and disposal of non-performing loans.

The Bank has established a credit card risk management system featuring pre-business risk prevention, on-going risk monitoring during the process and post-business risk management. The Bank has formulated a complete set of rules and regulations to standardise various credit card business procedures, such as marketing and promotion procedures of credit cards and credit extension approval procedures. The Bank continues to improve the design and operation of procedures for card issuance business, the determination and control of overall business risk tolerance, as well as the identifying, measuring, monitoring, assessment, control, mitigation and disposal of risks during and after the grant of a loan.

Credit Risk Management for Financial Institution Customers

The Bank includes financial institution customers in unified credit management. The Bank has formulated unified management measures and relevant operating procedures for the unified line of credit of financial institution customers, improved a series of systems and procedures for the investigation, examination and approval of unified credit extension to financial institution customers.

The Bank's business with financial institution customers involving customer credit risk is covered in the Bank's unified credit extension management. When conducting business, the Bank will draw up the customers' credit lines in accordance with relevant policies for the management of the concentration of customer risks.

MARKET RISK MANAGEMENT

Market risk refers to the risk of losses of on- and off-balance sheet business arising from unfavourable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. The term "market risk" in this section refers specifically to market risk other than interest rate risk of banking book. See "– *Interest Rate Risk Management of Banking Book*".

The objectives of the Bank's market risk management system are to control the Bank's market risks within a reasonable range acceptable to the Bank and maximise comprehensive benefits across the Bank which are denominated in local currency and adjusted in accordance to the relevant risks identified by the Bank.

The Bank's market risk management system consists of the Bank's board of directors, board of supervisors, senior management, risk management and internal control committee, risk management department, financial market department, financial technology department, audit department, other departments, as well as branch offices, sub-branch offices and subsidiaries. The Bank's senior management is responsible for implementing and organising market risk management, assessing market risk appetite as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Bank can effectively identify, measure, monitor and control a series of market risks borne by various businesses.

The market risk measurement methods adopted by the Bank include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, and Value at Risk (VaR) measurement. The measures taken by the Bank to control market risks include limit management, hedging and reducing risk exposures. The Bank has established a market risk management system pursuant to the relevant measures and guidelines of the CBIRC. The Bank has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Bank.

The Bank regularly updates and improves its market risk appetite and limit management system, continues to improve the market risk management systems and market risk measurement systems. The Bank conducts market risk measurement, monitoring and routine management by using the independent market risk management platform. The Bank values positions of its trading book on a daily basis, continuously monitors trading limits, stop-loss limits and risk limits, and regularly evaluates market risks through stress tests and other methods.

LIQUIDITY RISK MANAGEMENT

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. The external factors include domestic and foreign financial conditions, macroeconomic policies, depth and width of developments of financial markets and the competition status of the banking industry. The internal factors include maturities of assets and liabilities, business structures, stability of deposits, ability to obtain financing in the market, and various unexpected events.

The objectives of the Bank's liquidity risk management system are to ensure the Bank's liquidity needs can be satisfied in time at reasonable costs and to control the Bank's liquidity risks within a reasonable range acceptable to the Bank.

The Bank's liquidity risk management system consists of the Bank's board of directors, board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department, other operation and management departments of the Bank's head office, as well as branch offices, sub-branch offices and subsidiaries. The Bank's senior management is responsible for implementing and organising liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Bank managed the liquidity risk in a centralised manner. By establishing a scientific and complete liquidity risk management system, the Bank can effectively identify, measure, monitor, control and report its liquidity risk. Specific measures for liquidity risk management include: continuously improving systems related to liquidity risk management, paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting the Bank's asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts; strengthening the early-warning monitoring and management of liquidity, optimising the Bank's emergency response programme for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a regular basis, identifying weak links in the Bank's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies and size and structure of high quality liquid assets if necessary, and modifying the Bank's liquidity risk management measures in a timely manner to improve the Bank's liquidity risk management mechanism.

As at 30 June 2020, the Bank's liquidity coverage ratio, qualified liquid assets, net cash outflows over the next 30 days and total liquidity ratio of the local currencies and foreign currencies was 126.9 per cent., RMB169.5 billion, RMB133.6 billion and 54.4 per cent., respectively. The Bank's net stable fund ratio, stable fund available and stable fund required was 119.1 per cent., RMB1,186.7 billion and RMB996.2 billion, respectively.

As at 30 June 2020, the Group's liquidity coverage ratio, qualified liquid assets, net cash outflows over the next 30 days and total liquidity ratio of the local currencies and foreign currencies was 125.8 per cent., RMB169.5 billion, RMB134.8 billion and 54.5 per cent, respectively. As at 30 June 2020, the Group's net stable fund ratio, stable fund available and stable fund required was 117.7 per cent., RMB1.2 trillion and RMB1.0 trillion, respectively.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to the risk of losses that may be incurred due to imperfect or problematic internal procedures, personnel and information technology systems, as well as external events. Types of incidents of losses due to operational risks that the Bank may be exposed to mainly include seven categories of risks, i.e. internal fraud, external fraud, employment systems and safety incidents at work places, incidents related to clients, product and business activities, damage to real property, incidents related to information technology system and incidents related to execution, closing and procedure management.

The Bank's operational risk management system consists of the Bank's board of directors, the board of supervisors, senior management, risk management and internal control committee, risk management department, internal control and compliance and legal department, financial technology department, audit department, other departments of the head office, as well as branch offices, sub-branch offices and subsidiaries. The senior management is responsible for implementing and organising its operational risk management as well as formulation and implementation of relevant systems and policies of the Bank for operational risk management.

The objectives of the Bank's operational risk management system are to control the Bank's operational risks within a reasonable range and maximise comprehensive benefits after risk adjustment. The Bank has established an operational risk management system which was matched with the Bank's business nature, scale and complexity. The Bank exercises a whole-process management of operational risks, and effectively identifies, evaluates, monitors, controls and mitigates the operation risks by enhancing the Bank's internal control as an effective means to operational risk management.

In the first half of 2020, the Bank followed its management principles of "full coverage, clearly defined duties, honest reporting and quick response". The Bank clarified its work priorities and development direction, enhanced its operations system, promoted the construction of its operations system, strengthened staff management, strengthened security measures, and implemented epidemic management and control requirements to enhance the quality and efficiency of operational risk management. The Bank clarified its annual work objectives, prompted important business risk management and control measures and requirements; improved system construction and self-discipline mechanism for management and control, strengthened process construction and risk prevention and control approaches; optimised functions of business systems to improve the rigid control ability and service capabilities of these systems; thoroughly implemented management requirements, actively carried out various inspections to standardise business operations; strengthened legal risk prevention and control, timely revised contracts and interpreted and analysed hotspots in accordance with new regulations; carried out inspection to detect any irregular conduct of employees, standardised the responsibilities and business authorities of important positions; strengthened the management of safety and security, clarified work responsibilities and effectively implemented epidemic management and control requirements.

COUNTRY RISK MANAGEMENT

Country risk refers to the risk incurred due to any economic, political or social change and incident in a country or region which results in the borrowers or debtors in such country or region being unable or refusing to repay their debts or results in any losses to the business presence of the Bank in such country or region or any other losses to the Bank.

The objectives of the Bank's country risk management system are to control the Bank's country risk within a reasonable range acceptable to the Bank and maximise comprehensive benefits across the Bank denominated in local currency and adjust accordingly with respect to risks.

The Bank's country risk management system consists of its board of directors, board of supervisors, senior management, risk management and internal control committee, risk management department, planning and finance department (asset and liability management department), international business department, financial market department, retail banking department and other business operation and management departments of the head office, financial technology department and audit department, as well as branch offices, sub-branch offices and subsidiaries. The senior management is responsible for implementing and organising the Bank's country risk management system as well as the formulation and implementation of relevant systems and policies for country risk management.

The Bank continuously advances the country risk management work pursuant to the relevant measures and guidelines of the CBIRC. The Bank has formulated basic country risk management systems, limit management measures and schemes, clarified the organisational structure and division of responsibilities, limit framework, management mechanism with respect to country risk management, and set the index and threshold of country risk limits. Based on its actual situation, the Bank regularly determines the rating of the country risks of countries or regions where it has conducted and plans to conduct business, recognises the assessment results of country risks of related assets, and accrues a provision for country risks. The Bank continues to monitor the global epidemic situation, and further strengthens the risk management of overseas customers in severely affected countries or regions in addition to strict implementation of limit management.

INTEREST RATE RISK MANAGEMENT OF BANKING BOOK

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure, mainly including gap risk, benchmark risk and option risk.

The objectives of the Bank's interest rate risk management system of banking book are to control the Bank's interest rate risk of banking book within a reasonable range acceptable to the Bank and maximise the comprehensive benefits which are denominated in local currency and adjusted in accordance to the relevant risks identified by the Bank.

The Bank's interest rate risk management system of banking book consists of the Bank's board of directors, board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, planning and finance department (the asset and liability management department), financial market department, financial technology department, audit department and other operation and management departments of the head office, as well as branch offices, sub-branch offices and subsidiaries. The Bank's senior management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Bank measures and evaluates its interest rate risk of banking book mainly through price resetting gap analysis, sensitivity analysis, scenario simulation analysis, and stress tests. In the first half of 2020, the Bank continued to improve its management structure and system for interest rate risk of banking book and continuously raised the interest rate risk management level of banking book in accordance with the requirements in the Guidelines for the Management of Interest Rate Risk in the Banking Book of Commercial Banks (Revision) (Yin Bao Jian Fa [2018] No. 25) (商業銀行銀行賬簿利率風險管理指引(修訂)(銀保監發[2018]25號)) issued by the CBIRC.

REPUTATIONAL RISK MANAGEMENT

Reputational risk refers to the risk that any interested party will have a negative view of the Bank as a result of its operation, management and other activities or external events.

Reputational risk management means the dynamic process of reputational risk identification, measurement or assessment, monitoring, control and reporting by the Bank through formulation and implementation of a series of systems, measures and procedures, for achieving operational targets and building a good social image.

The objectives of the Bank's reputational risk management system are to correctly handle news and public opinions on the Bank, public relations and the Bank's relationships with customers, actively and effectively prevent reputational risks and respond to reputational events, so as to minimise the losses and negative impacts caused by such events on the Bank, interested parties and the public. The Bank has included reputational risk management in its corporate governance and comprehensive risk management system.

The Bank's reputational risk management system consists of the Bank's board of directors, board of supervisors, senior management, risk management and internal control committee, executive office, risk management department, financial technology department, other relevant departments of the head office, as well as branch offices, sub-branch offices and subsidiaries. The senior management is responsible for implementing and organising the reputational risk management across the Bank as well as the formulation and implementation of relevant systems and policies for reputational risk management of the Bank.

In the first half of 2020, the Bank further improved its reputational risk management system, refined reputational risk management measures, continuously enhanced the management of the sources of reputational risks, actively identified potential risks, improved emergency plans, standardised reputational risk reporting and treatment processes, established and improved coordination and linkage mechanism for reputational risk management, continuously optimised the toolbox for handling negative public opinion and enhanced the level and effectiveness of reputational risk prevention and control. The Bank further strengthened positive publicity, innovated communication methods, enhanced public opinion guidance and improved the brand reputation of the Bank.

STRATEGIC RISK MANAGEMENT

Strategic risk refers to the risk arising from any improper operational strategy or change in the external business environments, including improper strategic design, inappropriate strategic implementation and inapplicable stated strategy as a result of changes in the internal and external environments.

The objective of the Bank's strategic risk management system is to control the Bank's strategic risk within a reasonable range acceptable to the Bank by continuously improving its strategic risk management system.

The Bank's strategic risk management system consists of the Bank's board of directors, board of supervisors, senior management, risk management and internal control committee, risk management department, development and planning department, audit department, financial technology department, other relevant departments of the Bank's head office, as well as domestic and foreign branch offices, sub-branch offices and subsidiaries.

Adhering to the principles of "clear responsibilities, proactive prevention, overall evaluation and timely adjustment", the Bank constantly improves and refines its strategic risk management system suitable for the scale and features of its business, and has realised effective management of strategic risks. The Bank's main management measures include: continuing to fully implement the Bank's platform-based service strategy and commencing preparation of the Bank's "Fourth Five-Year Plan"; enhancing strategic research and situation analysis to effectively minimise the impact of the epidemic; continuously optimising and improving the Bank's strategic risk management system so that such system is in alignment with or exceeds that of the Bank's peers; keeping up with the policies and direction of the market; making efforts to reduce consumption, increase revenue and cut expenditures; steadily promoting the improvement of quality and efficiency of the Bank's "U Programme" ("U計劃") in the Bank's branch offices; accelerating the transformation and development across the Bank; strengthening innovative implementation and active management; and reinforcing the resilience of strategic risk management.

COMPLIANCE RISK MANAGEMENT

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure to comply with laws, rules and standards.

The objectives of the Bank's compliance risk management system are to establish a sound compliance risk management framework and promote the development of a comprehensive risk management system which enables the Bank to operate in a lawful and compliant manner.

The Bank's compliance risk management system consists of the Bank's board of directors, the board of supervisors, senior management, the risk management and internal control committee, responsible person for compliance, risk management department, internal control, compliance and legal affair department, audit department, other relevant departments of the Bank's head office as well as branch offices, sub-branch offices and subsidiaries. The Bank's senior management is responsible for implementing and organising compliance risk management as well as the formulation and implementation of relevant systems and policies for compliance risk management.

In the first half of 2020, the Bank implemented the decision-making deployment and regulatory requirements of the CPC Central Committee and the State Council, facilitated its compliance with laws and regulations, and continuously improved compliance risk management capabilities and levels. The Bank also continued to improve its system of rules and regulations, strengthened its overall management and post-evaluation of its compliance risk management system, and effectively improved the quality and efficiency of its compliance risk management system. The Bank enhanced risk screening procedures in key areas and key processes such as stakeholder business and customer sensitive information, and continued to carry out special crackdown against crime syndicates; implemented regulatory requirements and improved self-inspection and self-correction capabilities; strengthened its interpretation and analysis of policies, enhanced the risk warning as well as proactively identified, assessed, mitigated and dissolved the compliance risks associated with new products, new businesses and major projects; carried out its policy of "Consumer Protection System Construction Year" ("消保制度建設年"); strengthened customer marketing and publicity management; effectively protected the rights and interests of consumers; actively promoted the compliance culture, created a compliance information exchange environment; continued to implement the commitments for internal control compliance and incident prevention as well as examination system of internal control compliance at all levels deployed to prevent employees from financial violations and crimes; and enhanced awareness of compliance and incident prevention of employees.

INFORMATION TECHNOLOGY RISK MANAGEMENT

Information technology risk refers to any operational, legal and reputational risk arising from natural factors, human factors, technical bugs and management defects in connection with the application of information technologies by the Bank.

The objectives of the Bank's information technology risk management are to control the Bank's information technology risk within a reasonable range acceptable to the Bank, promote business innovation, enhance application level of information technology, and intensify core competence and sustainable development capability.

The Bank's information technology risk management system consists of the Bank's board of directors, board of supervisors, senior management, chief information officer, risk management and internal control committee, information technology management committee, business continuity management committee, risk management department, financial technology department, audit department, other relevant departments of the Bank's head office as well as branch offices, sub-branch offices and subsidiaries. The Bank's senior management is responsible for implementing and organising information technology risk management as well as formulating and implementing relevant systems and policies for information technology risk management.

The Bank has established a relatively well-organised information technology risk management mechanism and process system, and comprehensively formulated relevant system processes and implementation rules in accordance with the ISO20000, ISO22301 and ISO27001 management system and regulatory requirements, and established relatively well-organised systems for business continuity management, information technology outsourcing risk management, information security management, information technology services management and a relatively well-standardised information technology risk monitoring and assessment mechanism.

In the first half of 2020, the Bank implemented its "Information Technology Development Plan of China Zheshang Bank" ("浙商銀行信息科技發展規劃") and "Information Technology Development Plan of China Zheshang Bank (Enhancement Plan 2018-2020)" ("浙商銀行信息科技發展規劃(2018-2020提升規劃)") in an orderly manner so as to comprehensively promote the platform service strategy and expedite its fintech innovation; continually implemented network security management and the production and operational management of "safety+"; continually carried out monitoring, assessment and security detection of important information systems operation; continually improved the disaster preparedness system of "three centres in two cities" ("兩地三中心"), and enhanced the business continuity guarantee capacity; continually promoted the emergency management and made arrangements for the annual emergency drill plan and improved emergency plans and held emergency drills. In the first half of 2020, the Bank's information technology system operated without any material information technology risk event occurring.

ANTI-MONEY LAUNDERING MANAGEMENT

The Bank has established and optimised its anti-money laundering operation mechanism under its comprehensive risk management framework in accordance with the anti-money laundering laws and regulations, including the Anti-money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法), the Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of Financial Institutions in the Banking Sector (銀行業金融機構反洗錢和反恐怖融資管理辦法) and the Guidelines for the Management of Money Laundering and Terrorist Financing Risks for Corporate Financial Institutions (for Trial Implementation) (法人金融機構洗錢和恐怖融資風險管理指引(試行)), so as to further solidify the foundation of anti-money laundering works and continuously improve the compliance and effectiveness of anti-money laundering management. In the first half of 2020, the Bank faithfully fulfilled its anti-money laundering obligations and adopted a number of measures to improve the quality and efficiency of the Bank's anti-money laundering work. The Bank revised and improved its anti-money laundering work system; enhanced customer identification; strengthened system control for customer information collection; improved the identification process of beneficial owners; optimised its anti-money laundering monitoring model and improved the level of anti-money laundering monitoring and analysis; organised the implementation of account cleaning and account verification work to standardise the account management system across the Bank; carried out anti-money laundering information and data governance in an orderly manner to improve the quality of anti-money laundering data; strengthened risk prevention and control; released anti-money laundering risk warning in a timely manner based on the Bank's business needs, organised and carried out special investigations on telecommunication and internet fraud and cross-border gambling; took risk control measures for abnormal accounts; strengthened anti-money laundering business guidance and training; performed internal business supervision and inspection in a pragmatic manner; and complied with all regulatory requirements of anti-money laundering.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

The Board of the Bank is composed of 15 members, including two executive directors, six non-executive directors and seven independent non-executive directors. The table below sets out information concerning the Bank's directors as at the date of this Offering Circular.

Name	Position
Mr. Shen Renkang	Chairman, Executive Director
Mr. Xu Renyan	Executive Director, President
Mr. Ren Zhixiang	Non-executive Director
Mr. Wang Jian	Non-executive Director
Ms. Gao Qinhong	Non-executive Director
Mr. Hu Tiangao	Non-executive Director
Mr. Zhu Weiming	Non-executive Director
Ms. Lou Ting	Non-executive Director
Mr. Tong Benli	Independent Non-executive Director
Mr. Wang Wei	Independent Non-executive Director
Mr. Dai Deming	Independent Non-executive Director
Mr. Liu Pakwai	Independent Non-executive Director
Mr. Zheng Jindu	Independent Non-executive Director
Mr. Zhou Zhifang	Independent Non-executive Director
Mr. Wang Guocai	Independent Non-executive Director

Executive Directors

Mr. Shen Renkang (沈仁康) is currently the secretary of the Communist Party of China ("**CPC**") committee, chairman of the Board and executive director of the Bank. Mr. Shen holds a master's degree and is a senior economist. Mr. Shen had successively held the posts of member of the CPC standing committee, vice county chief, vice county secretary of CPC committee, acting county chief and county chief of Qingtian County, Zhejiang; vice mayor of Lishui City, Zhejiang; vice mayor and CPC working committee secretary of management committee of Lishui Economic Development Zone; member of the standing committee, vice mayor, deputy secretary and politics and law committee secretary of the municipal CPC committee of Lishui City, Zhejiang; and deputy secretary of municipal CPC committee, acting mayor and mayor of Quzhou City, Zhejiang.

Mr. Xu Renyan (徐仁艷) is currently the deputy secretary of the CPC committee, executive director, president of the Bank. Mr. Xu holds a master's degree and is a senior accountant and a certified tax agent. Mr. Xu had successively held positions of the deputy section chief and the section chief of financial section, accounting department, Zhejiang provincial branch of PBOC; vice director of accounting department, Zhejiang provincial branch of PBOC; vice director and director of accounting and financial department, Hangzhou central branch, PBOC; and a member of the CPC committee and vice president of Hangzhou central branch, PBOC; a member of the CPC committee and vice president of the Bank and concurrently held the position of director and chairman of Zhejiang Zheyin Financial Leasing Co., Ltd.

Non-executive Directors

Mr. Ren Zhixiang (任志祥) is currently a non-executive director of the Bank. Mr. Ren holds a doctoral degree and is a senior economist. Mr. Ren has served as the deputy general manager of the investment banking department at Zhejiang International Trust and Investment Co., Ltd. (浙江省國際信託投資有限責任公司), and a senior director of the asset management department and the chief economist, deputy director and director of the strategy and legal affairs department at Zhejiang Energy Group Co., Ltd. (浙江省能源集團有限公司). He concurrently serves as the general manager and deputy secretary of the Party Committee of Zheneng Capital Holdings Co., Ltd. (浙能資本控股有限公司).

Mr. Wang Jian (王建) is currently a non-executive director of the Bank. Mr. Wang holds a master's degree. Mr. Wang served as a consultant at Huaxin Post and Telecommunications Design and Consulting Research Institute Co., Ltd. (華信郵電設計諮詢研究院有限公司), an investment manager at Zhejiang Zhongda Group Investment Co., Ltd. (浙江中大集團投資有限公司), the assistant director, deputy director and director at Zhejiang Materials Zhongda Yuantong Group Co., Ltd. (浙江物產中大元通集團股份有限公司), the deputy general manager of the financial industry department at Materials Zhongda Group Co., Ltd. (物產中大集團股份有限公司), the deputy general manager of the financial management department at Zhejiang Financial Holding Co., Ltd. (浙江省金融控股有限公司). He concurrently serves as the general manager of the financial management department at Zhejiang Financial Holding Co., Ltd. (浙江省金融控股有限公司).

Ms. Gao Qinhong (**高勤紅**) is currently a non-executive director of the Bank. Ms. Gao holds a postgraduate degree and is a senior economist. Ms. Gao has previously served as accountant and credit manager of Xiaoshan branch of Industrial and Commercial Bank of China; accountant and credit manager of Zhejiang provincial branch of Industrial and Commercial Bank of China; section chief of credit and loan section and division-level inspector of Hangzhou branch and vice president of Wulin sub-branch, Shanghai Pudong Development Bank Co., Ltd.; vice general manager and chief financial officer and director of Zhejiang Hengyi Group Co., Ltd. (浙江恒逸集團有限公司); and director of Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司). She concurrently serves as chief financial advisor and director of Zhejiang Hengyi Group Go., Ltd.

Mr. Hu Tiangao (**胡天高**) is currently a non-executive director of the Bank. Mr. Hu holds an EMBA degree and is a senior economist. Mr. Hu served as vice president of Dongyang sub-branch, Bank of China. He concurrently serves as a director and senior vice president of Hengdian Group Holdings Limited (橫店集團控股有限公司); director of Hengdian Group DMEGC Magnetics Co., Ltd. (橫店集團東磁股份有限公司); director of Apeloa Pharmaceutical Co., Ltd. (普洛藥業股份有限公司); director of Innuovo Technology Co., Ltd. (英洛華科技股份有限公司); director of Hengdian Group Tospo Lighting Co., Ltd. (橫店集團得邦照明股份有限公司) and director of Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司).

Mr. Zhu Weiming (**朱瑋明**) is currently a non-executive director of the Bank. Mr. Zhu holds a master's degree. Mr. Zhu successively held the positions of vice director and director of the general manager service department at Jiaxing Power Generation Co., Ltd.; vice general manager and secretary of the board for Zhejiang Southeast Electric Power Company Limited; vice general manager at Zhoushan Marine Comprehensive Development and Investment Co., Ltd.; vice director of the investment and development department at Zhejiang Marine Development & Investment Group Co., Ltd.; vice director of the investment and development department as well as vice director of the finance and asset management department at Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. He concurrently serves as director of the financial affairs department at Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.; chairman of Zhejiang Seaport Asset Management Co., Limited (浙江海港資

產管理有限公司), Zhejiang Seaport Bulk Commodity Exchange Co., Ltd. (浙江海港大宗商品交易中心有限公司), Zhejiang Zhegang Trading Co., Ltd. (浙江浙港商貿有限公司), Ningbo Shipping Exchange Co., Ltd. (寧波航運交易所有限公司) and Zhejiang Seaport Group Financial Co., Ltd. (浙江海港集團財務有限公司); vice chairman of Donghai Marine Insurance Company Limited (東海航運保險股份有限公司); and director of Zhejiang Seaport (Hong Kong) Co., Limited and Ningbo Commerce Bank Co., Ltd. (寧波通商銀行股份有限公司).

Ms. Lou Ting (**樓婷**) is currently a non-executive director of the Bank. Ms. Lou holds a bachelor's degree and is an intermediary financial economist. Ms. Lou held several positions in Jinhua branch of Bank of Communications Co., Ltd. (交通銀行股份有限公司), including assistant manager of business department I, operating department, manager of business and sales department III, vice general manager of international business department and business development department, manager of Jindong District and Dongyang District's regional business development department III, and president of Dongyang sub-branch; and chief executive officer of Guangsha Holding Group Co., Ltd. (廣廈控股集團有限公司). She concurrently serves as vice chairman of Zhejiang Guangsha Co., Ltd.

Independent Non-executive Directors

Mr. Tong Benli (**童本立**) is currently an independent non-executive director of the Bank. Mr. Tong holds a master's degree and is a professor and a senior accountant. Mr. Tong held the position of division chief of budget division of Zhejiang Provincial Department of Finance; associate dean, dean and secretary of CPC committee of Zhejiang College of Finance & Economics (now known as Zhejiang University of Finance and Economics); independent non-executive director of Zhejiang Medicine Co., Ltd. (浙江醫藥股份有限公司), Hangzhou Sunyard System Engineering Co., Ltd. (杭州信雅達系統工程股份有限公司), Zhejiang Narada Power Source Co., Ltd. (浙江南都電源動力股份有限公司), Soyea Technology Co., Ltd. (數源科技股份有限公司), Zhejiang Reclaim Construction Group Co., Ltd. (浙江省圍海建設集團股份有限公司), Hangzhou Changqiao Travelling Investment Co., Ltd. (杭州長喬旅遊投資集團股份有限公司) and Hangzhou Jiebai Group Co., Limited (杭州解百集團股份有限公司). Mr. Tong concurrently serves as an independent non-executive director of Zhejiang Anglikang Pharmaceutical Co., Ltd. (浙江昂利康製藥股份有限公司), Zhejiang Zhengyuan Zhihui Technology Co., Ltd. (浙江正元智慧科技股份有限公司) and Zhejiang Pujiang Rural Commercial Bank Co., Ltd. (浙江浦江農村商業銀行股份有限公司).

Mr. Wang Wei (**汪煒**) is currently an independent non-executive director of the Bank. Mr. Wang holds a doctoral degree and is a professor. Mr. Wang currently teaches at the School of Economics of Zhejiang University (浙江大學經濟學院), where he has served as a lecturer, associate professor and professor. Mr. Wang has served as the deputy dean at the School of Economics, deputy director of the academic committee and the executive dean of the Institute of Finance at Zhejiang University (浙江大學經濟學院). He concurrently serves as a professor and chief expert at Zhejiang University Financial Research Institute (浙江大學金融研究院), the secretary general and executive vice chairman at Zhejiang Financial Industry Development Association (浙江省金融業發展), the president of Zhejiang Financial Research Institute (浙江省金融研究院), an independent director of Caitong Securities Co., Ltd. (財通證券股份有限公司), Anhui Jiangnan Chemical Co., Ltd. (安徽江南化工股份有限公司), Zhejiang Network Commercial Bank Co., Ltd. (浙江網商銀行股份有限公司), Beida Pharmaceutical Co., Ltd. (貝達藥業股份有限公司), Sanwei Communications Co., Ltd. (三維通信股份有限公司), China Electronics Investment Holdings Co., Ltd. (中國電子投資控股有限公司), Zhejiang Yuhuang Shannan Investment Management Co., Ltd. (浙江玉皇山南投資管理有限公司), Hangzhou Xin'an River Qiandao Lake Basin Industrial Investment Fund Management Co., Ltd. (杭州新安江千島湖流域產業投資基金管理有限公司) and Wanxiang Trust Co., Ltd. (和萬向信託股份公司), and an external supervisor of Bank of Wenzhou Co., Ltd. (溫州銀行股份有限公)司and Hangzhou Harbour Asset Management Co., Ltd. (杭州港灣資產管理有限公司).

Mr. Dai Deming (戴德明) is currently an independent non-executive director of the Bank. Mr. Dai holds a doctoral degree and is a professor. Mr. Dai has been teaching at the accounting department of Renmin University of China, being a lecturer, associate professor and professor successively. Mr. Dai was an independent non-executive director of CRRC Corporation Limited (中國中車股份有限公司), Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司), and Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司). He concurrently serves as vice chairman of Accounting Society of China and an independent non-executive director of Haier Smart Home Co., Ltd. (海爾智家股份有限公司), BOC Aviation Limited, China Securities Co., Ltd. (中信建投證券股份有限公司), Power Construction Corporation of China, and Poly Developments and Holdings Group Co., Ltd.

Mr. Liu Pak Wai (廖柏偉) is currently an independent non-executive director of the Bank. Mr. Liu holds a doctoral degree and is a professor. Mr. Liu has been teaching at the Chinese University of Hong Kong as a lecturer, senior lecturer, professor and chair professor, during which he also served as pro-vice chancellor of the Chinese University of Hong Kong. He has also served as director of Institute of Global Economics and Finance at the Chinese University of Hong Kong; an independent non-executive director of Hang Lung Properties Limited (恒隆地產有限公司); and a council member of Shenzhen Finance Institute. Mr. Liu was awarded the Hong Kong Silver Bauhinia Star in 1999 and was appointed Hong Kong Justice of the Peace in 2006.

Mr. Zheng Jindu (鄭金都) is currently an independent non-executive director of the Bank. Mr. Zheng holds a master's degree and holds a first grade lawyer qualification. Mr. Zheng was a lecturer at the Faculty of Law of Hangzhou University (now known as Zhejiang University), a vice director and partner of Zhejiang Guoqiang Law Firm (浙江國強律師事務所) and an independent non-executive director of Changjiang & Jinggong Steel Building (Group) Co., Ltd. (長江精工鋼結構(集團)股份有限公司). Mr. Zheng concurrently serves as a director and partner of Zhejiang L&H Law Firm (浙江六和律師事務所), managing director of Ninth Council of All China Lawyers Association (中華全國律師協會), a member of the 12th CPPCC National Committee of Zhejiang Province, president of Tenth Council of Zhejiang Lawyers Association (浙江省律師協會), vice-president of Seventh Council of Zhejiang Law Society and president of Sanmen Chamber of Commerce in Hangzhou. He also concurrently serves as an independent non-executive director of Hangzhou United Rural Commercial Bank Co. Ltd., Sundy Land Investment Co., Ltd. (宋都基業投資股份有限公司), Hangzhou ShenHao Technology Co., Ltd. (杭州申昊科技股份有限公司) and Wonderful-wall Building Materials Co., Ltd. (墻煌新材料股份有限公司).

Mr. Zhou Zhifang (周志方) is currently an independent non-executive director of the Bank. He holds a bachelor's degree and is a senior economist. Mr. Zhou previously served as deputy unit chief at People's Bank of China, Jiangshan Sub-branch; deputy unit chief at Industrial and Commercial Bank of China, Jiangshan Sub-branch; vice president, leader of the discipline inspection team, deputy secretary, member, vice president (in charge) and secretary of the CPC committee, and director at the business department and the savings department and president of Industrial and Commercial Bank of China, Quzhou Branch; vice president and member of the CPC committee of Industrial and Commercial Bank of China, Jiangxi Branch; vice president, member of the CPC committee, and general manager and secretary of the CPC committee of the business department of Guangdong Branch of Industrial and Commercial Bank of China; president and secretary of the CPC committee of Ningbo Branch of Industrial and Commercial Bank of China; director of Shanghai Branch of the internal audit bureau of Industrial and Commercial Bank of China; and senior expert (at president level) of Zhejiang Branch of Industrial and Commercial Bank of China, during which he acted as leader of the third inspection team in the head office of Industrial and Commercial Bank of China.

Mr. Wang Guocai (王國才) is currently an independent non-executive director of the Bank. He holds a bachelor's degree and is a senior economist. Mr. Wang held the posts of vice president and president of Yuhuan Sub-branch of Industrial and Commercial Bank of China; president of Wenling Sub-branch of Industrial and Commercial Bank of China; vice president and president of Taizhou Branch of Industrial and Commercial Bank of China; and expert of Zhejiang Branch of Industrial and Commercial Bank of China.

Supervisors

The board of supervisors of the Bank is composed of 10 supervisors, including four external supervisors, two shareholder representative supervisors, four employee representative supervisors. The table below sets out information concerning the Bank's supervisors as at the date of this Offering Circular.

Name	Position
Mr. Yu Jianqiang	Chief supervisor, shareholder representative supervisor
Mr. Pan Jianhua	Shareholder representative supervisor
Mr. Zheng Jianming	Vice chief supervisor, employee representative supervisor
Mr. Wang Chengliang	Employee representative supervisor
Mr. Chen Zhongwei	Employee representative supervisor
Mr. Yuan Xiaoqiang	External supervisor
Mr. Huang Zuhui	External supervisor
Mr. Wang Jun	External supervisor
Ms. Cheng Huifang	External supervisor

Mr. Yu Jianqiang (於建強) is currently the chairman of the board of supervisors and a shareholder representative supervisor of the Bank. Mr. Yu holds a postgraduate degree. Mr. Yu previously served as executive secretary, vice minister in propaganda department and the head of United Front Work Department in the Communist Youth League of Zhejiang Provincial Party Committee; general secretary and vice chairman of Zhejiang Youth United Association; vice section chief and chief in the Office of the Food and Drug Administration of Zhejiang (during which period he concurrently worked as director of the planning and finance department from October 2003 to December 2005); and assistant to chief executive officer of Minsheng Life Insurance Company Ltd. (民生人壽保險股份有限公司).

Mr. Pan Jianhua (潘建華) is currently a shareholder representative supervisor of the Bank. Mr. Pan holds a bachelor's degree. Mr. Pan has previously served as a teacher of Taoli Secondary School and Qixian Town Secondary School in Shaoxing County, Shaoxing; league branch secretary of Dahe Secondary School in Shaoxing County; leader of the chemistry teaching and research group of Qixian District; the dean and vice president of Ma'an Town Secondary School in Shaoxing County; president and party branch secretary of Ma'an Town Adult Culture and Technical School, Anchang Town Secondary School and Qixian Town Secondary School in Shaoxing County; and director of the education management office and party branch secretary in charge of education in Anchang Town, Shaoxing County; deputy director of urban construction administrative committee office in Pingshui Town, Shaoxing County, Shaoxing; member of the party committee and deputy chief of Pingshui Town, Shaoxing County, Shaoxing; deputy party secretary in Anchang Town, Shaoxing County, Shaoxing; deputy director of the education and sports bureau in Keqiao District, Shaoxing; party branch secretary and director of the exhibition industry development office in Keqiao District; party branch secretary and director of the exhibition industry development centre in Keqiao District; member of the party working committee of China Textile City in Keqiao District, Shaoxing; and party secretary of Zhejiang China Light & Textile Industrial City Group Co., Ltd. (浙江中國輕紡城集團股份有限公司) (a company listed on Shanghai Stock Exchange, stock code: 600790).

Mr. Zheng Jianming (**鄭建明**) is currently vice chief supervisor and employee representative supervisor of the Bank. Mr. Zheng holds a postgraduate degree and is an economist. Mr. Zheng previously served as office secretary and vice director of Zhejiang provincial branch of PBOC; office secretary and vice director of the secretary section of Hangzhou Central Branch of PBOC; and vice division chief and secretary at director level in the general office of the People's Government of Zhejiang Province.

Mr. Wang Chengliang (王成良) currently an employee representative supervisor of the Bank. He holds a postgraduate degree and is a senior economist. Mr. Wang has worked at Wenzhou Branch of the PBOC, and has previously served as vice chief of planning subsection and chief of planning division and the first business division of Wenzhou Branch, vice president of Ouhai County Sub-Branch and Wenzhou Chengnan Sub-Branch, and president of Wenzhou Wuma Sub-Branch of Industrial and Commercial Bank of China; vice president and president of Wenzhou Branch of the China Guangfa Bank; general manager of Wenzhou business department and president of Wenzhou Branch of the Bank. He concurrently serves as a member of the CPC committee and general manager of the human resources department of the Bank.

Mr. Chen Zhongwei (陳忠偉) is currently an employee representative supervisor of the Bank. Mr. Chen holds a bachelor's degree and is an economist. Mr. Chen has previously served as chief of the business and system sections at the credit division at Zhejiang Branch of Industrial and Commercial Bank of China; general manager of the risk management department and the corporate department at Hangzhou Branch of China Everbright Bank; risk director (assistant to president); member of the CPC committee at Shanghai Branch of China Everbright Bank; risk director (vice president) and member of the CPC committee at Suzhou Branch of China Everbright Bank; and deputy general manager of the credit review department of the Bank. Mr. Chen concurrently serves as general manager of the internal control, compliance and legal affairs department of the Bank.

Mr. Yuan Xiaoqiang (**袁小強**) is currently an external supervisor of the Bank. Mr. Yuan holds a postgraduate degree and is a registered tax agent, a senior accountant and a certified public accountant. Mr. Yuan served as the vice director of Hangzhou Tax Agency of Zhejiang. He concurrently serves as a senior partner of Zhonghui Tax Agency and Zhonghui Accounting Firm. Mr. Yuan is also a member of Standing Committee of the People's Congress of Zhejiang Province; executive director of the Chinese Certified Tax Agents Association of Zhejiang; vice chairman of Zhejiang Province Intellectuals Fellowship; director of Zhejiang Kaibei Investment and Consultation Co., Ltd. (浙江凱貝投資諮詢有限公司) and Hangzhou Sidu Investment and Consultation Co., Ltd. (杭州思渡投資諮詢有限公司).

Mr. Huang Zuhui (**黃祖輝**) is currently an external supervisor of the Bank. Mr. Huang holds a postgraduate degree and is a professor. Mr. Huang is currently the professor and doctoral supervisor of Agricultural Economical Management Department, Management School, Zhejiang University. Mr. Huang concurrently serves as vice chairman of Chinese Rural Cooperative Economic Management Institute and an independent director of Zhejiang Agricultural Materials Group Co., Ltd. (浙農集團股份有限公司).

Mr. Wang Jun (**王軍**) is currently an external supervisor of the Bank. Mr. Wang holds a postgraduate degree and is a researcher. Mr. Wang worked at Central Policy Research Office of the CPC and served as vice division chief and division chief; director of macroeconomic research division, vice director (in charge) of consultation research department, vice director (in charge), director of information department of China Center for International Economic Exchanges; and independent director of China Kings Resources Group Co., Ltd. (金石資源集團股份有限公司). He concurrently serves as chief economist of Zhongyuan Bank Co., Ltd.

Ms. Cheng Huifang (**程惠芳**) is currently an external supervisor of the Bank. Ms. Cheng holds a doctoral degree and is a professor and a doctoral supervisor. Ms. Cheng previously served as a lecturer and vice professor of Zhejiang Chemical College and Zhejiang Institute of Technology (now known as Zhejiang University of Technology); assistant to the president, executive vice president and president of College of Economics and Management at Zhejiang University of Technology. She concurrently serves as general director of Zhejiang Institute of Financial Engineering; independent director of Zhejiang Furun Co., Ltd. (浙江富潤股份有限公司); an independent director of Hangzhou Oxygen Plant Group Co., Ltd. (杭州制氧機集團股份有限公司); and chairman of the board of supervisors of Hangzhou Hikvision Digital Technology Co., Ltd. (杭州海康威視數字技術股份有限公司).

Senior Management

The table below sets out information concerning the Bank's senior management as at the date of this Offering Circular.

Name	Position
Mr. Xu Renyan	Executive Director, President
Mr. Xu Manxuan	Vice president
Mr. Wu Jianwei	Vice president
Mr. Liu Long	Vice president, secretary of the Board, joint company secretary
Mr. Zhang Rongsen	Vice president
Mr. Liu Guishan	Vice president, chief risk officer
Mr. Chen Haiqiang	Vice president
Mr. Luo Feng	Assistant to president
Mr. Sheng Hongqing	Assistant to president
Mr. Song Shizheng	Chief information officer
Mr. Jing Feng	Chief financial officer

For the detailed biography of Mr. Xu Renyan, see "*Directors*" above.

Mr. Xu Manxuan (**徐蔓萱**) is currently a vice president and party committee member of the Bank. Mr. Xu holds a bachelor's degree and is a senior accountant. Mr. Xu successively served as vice section chief and section chief of finance infrastructure office, accountant and cashier division, vice division chief of accountant and finance division, vice director of inspection office, and vice director of inspection division (division-level) of Zhejiang provincial branch, Agricultural Bank of China; and president assistant and general manager of planning and finance department, president assistant and general manager of finance and accounting department, and president assistant of the Bank.

Mr. Wu Jianwei (**吳建偉**) is currently vice president, party committee member and secretary of the party committee and president of Shanghai Branch of the Bank. Mr. Wu holds a postgraduate degree and is a senior engineer. Mr. Wu has previously served as vice section chief of application development section of information and technology department I, section chief of sales development department, and assistant to director at Zhejiang provincial branch, Agricultural Bank of China; vice director of data operation centre, vice division chief (in charge) of e-bank division and division chief of e-bank division, general manager of e-bank department; secretary of CPC committee and president of Wenzhou Branch, Agricultural Bank of China; CPC party committee member and president assistant of Inner Mongolia Autonomous Region Branch of Agricultural Bank of China; and president assistant of the Bank.

Mr. Liu Long (劉龍) is currently vice president, secretary of the Board, joint company secretary and party committee member of the Bank. Mr. Liu holds a master's degree and is a senior accountant. Mr. Liu previously served as vice director and CPC party member; secretary of CPC party committee of Tianma Town, Changshan County, Zhejiang; director and secretary of CPC committee of planning and economy committee of Changshan County, Zhejiang; vice director and CPC committee member of auditing bureau of Quzhou City, Zhejiang; county CPC standing committee member of Changshan County, Zhejiang; vice county chief of Changshan County People's Government; vice secretary of CPC county committee, vice county chief and vice secretary of CPC county committee, vice secretary of CPC committee of Changshan County, Zhejiang; chairman of People's Political Consultative Conference of Changshan County, Zhejiang; director and secretary of CPC committee of the economic and information committee of Quzhou City, Zhejiang; and vice secretary general and executive office director of Quzhou Municipal Government, Zhejiang.

Mr. Zhang Rongsen (張榮森) is currently vice president, party committee member and secretary of the party committee and president of the Beijing Branch of the Bank. Mr. Zhang holds a doctoral degree and is a senior economist. Mr. Zhang previously served as president of Beijing Hangtianqiao Sub-branch of China Guangfa Bank; assistant president and party committee member of Beijing Branch of China Guangfa Bank; responsible officer of preparation group for establishment of Beijing Branch of Bank of Jiangsu; president and secretary of CPC committee of Beijing Branch of Bank of Jiangsu; party committee member, vice president and executive director of Bank of Jiangsu.

Mr. Liu Guishan (劉貴山) is currently vice president and chief risk officer of the Bank. Mr. Liu holds a bachelor's degree and is a senior accountant. Mr. Liu previously served as the deputy head of the deposit department (section chief level) and principal staff member of the planning department, and deputy head of the financial and accounting department at the Xining Branch of Bank of China; deputy director of the Beida Avenue Office at the Xijing Branch of Bank of China; vice president at the Beida Avenue Sub-branch of Xi'an Branch of Bank of China; director of credit card department and business department at the Xi'an Branch of Bank of China; vice president (in charge of relevant work in the absence of the president) and president at the Jiefang Road Sub-branch of Bank of China; assistant to the president, member of the party committee, vice president, secretary of the commission for discipline inspection at the Xi'an Branch of China CITIC Bank; leader of preparation team of the Hohhot Branch of China CITIC Bank; deputy general manager of the Xi'an business department at the Bank; member of the party committee, risk monitoring officer and vice president, secretary of the commission for discipline inspection, deputy secretary of the party committee, vice president (in charge of relevant work in the absence of the president), secretary of the party committee, president at the Xi'an Branch of the Bank; and general manager of the credit review department and assistant to the president at the Bank.

Mr. Chen Haiqiang (陳海強) currently serves as vice president of the Bank and secretary of the party committee and president of the Hangzhou Branch of the Bank. Mr. Chen holds a master's degree and is a senior economist. Mr. Chen previously served as deputy principal staff member at the Zhejiang Branch of China Development Bank; deputy director (in charge of relevant work in the absence of the director) of Ningbo Beilun Banking Office of China Merchants Bank; president of Ningbo Beilun Branch of China Merchants Bank; member of the party committee, assistant to president, and vice president of Ningbo Branch of China Merchants Bank; secretary of the party committee, and president of Ningbo Branch of the Bank; and assistant to the president of the Bank.

Mr. Luo Feng (駱峰) is currently the assistant to president of the Bank and general manager of the financial market department of the Bank. Mr. Luo holds a doctorate degree. Mr. Luo previously served as manager assistant of financial market research centre and business management centre of treasury department, deputy manager and manager of business management centre (research centre) of treasury department, risk monitoring officer and general manager assistant of treasury department, manager of risk management centre, deputy general manager of treasury department, and general manager of financial market department of the Bank.

Mr. Sheng Hongqing (盛宏清) is currently assistant to president of the Bank. Mr. Sheng holds a doctorate degree. Mr. Sheng previously served as deputy head and head of financial engineering division of treasury department of China Everbright Bank, and assistant to president and chief investment officer of Huishang Bank.

Mr. Song Shizheng (宋士正) is currently chief information officer and general manager of financial technology department of the Bank. Mr. Song holds a bachelor's degree and is a senior engineer. Mr. Song previously served as deputy section head and section head of technology department, deputy general manager of computer centre, deputy general manager (in charge of relevant work in the absence of the general manager) of customer service centre in Zhejiang Branch of Industrial and Commercial Bank of China; and deputy general manager of accounting technology department and general manager of information technology department in the head office of the Bank.

Mr. Jing Feng (景峰) is currently chief financial officer and general manager of planning and finance department (asset and liability management department) of the Bank. Mr. Jing holds a master's degree and is a member of the American Institute of Certified Public Accountants. Mr. Jing previously served as deputy general manager and general manager of planning and finance department of Suzhou Branch of China Minsheng Bank; finance specialist of corporate financial business department of China Minsheng Bank; deputy general manager of Jiangsu business department of the Bank; vice president and member of the party committee of the Nanjing Branch of the Bank; deputy general manager (in charge of relevant work) and general manager of finance and accounting department; and general manager of asset and liability management department at the head office of the Bank.

Special Committees of the Board

There are six special committees under the Board, including Strategic Committee, Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee, Consumer Rights Protection Committee and Inclusive Finance Development Committee. The Articles of Association of the Bank sets out the main duties of such special committees.

Strategic Committee

The main duties of the Strategic Committee are to (i) research and formulate business targets, medium and long-term development plans, and development strategies of the Bank; (ii) supervise and inspect the implementation of annual business plans and investment plans; and (iii) to deal with other matters as authorised by the Board.

Audit Committee

The main duties of the Audit Committee are to (i) examine the Bank's accounting policies, financial position, financial reporting procedures, and risk and compliance status; (ii) propose the appointment or replacement of external auditors; (iii) supervise the Bank's internal audit system and its implementation; (iv) facilitate communication between internal auditors and external auditors; (v) review the Bank's financial information and related disclosure, and prepare conclusive reports on the authenticity, accuracy, completeness and timeliness of the audited financial reports to be submitted to the Board for consideration; and (vi) deal with other matters as prescribed by relevant laws, regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Bank's shares and as authorized by the Board.

Risk and Related Party Transaction Control Committee

The main duties of the Risk and Related Party Transaction Control Committee are to (i) supervise the risk control by the senior management of the Bank; (ii) assess the Bank's risk profile; (iii) offer proposals on improving the Bank's risk management and internal controls; (iv) review and approve general related party transactions of the Bank or accept the filing of general related party transactions; (v) review and approve of major related party transactions of the Bank or the transactions which are subject to reporting, announcement and/or independent shareholders' approvals under the relevant stipulations of securities regulatory authority in the place(s) of listing of the Bank's shares, which shall be submitted to the Board for approval; and (vi) deal with other matters as authorised by the Board.

The Risk and Related Party Transaction Control Committee will review the effectiveness of the Bank's risk management procedures and internal control procedures, to ensure the efficiency of the Bank's business operations and achieve the Bank's objectives and strategies.

Nomination and Remuneration Committee

The main duties of the Nomination and Remuneration Committee are to (i) propose to the Board on the membership of the Board based on the business operations, asset size and equity structure of the Bank; (ii) draft the standard and procedure for the selection of directors and senior management, and propose the same to the Board; (iii) recommend candidates for chairman and vice chairman to the Board, and provide review comments on the candidates of directors and senior management members including the president, vice president, financial principal, and secretary to the Board; (iv) draft the remuneration policy and scheme for directors and senior management, and make proposals to the Board; and (v) and deal with other matters as prescribed by relevant laws, administrative regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Bank's shares and as authorised by the Board.

The Nomination and Remuneration Committee makes recommendations to the Board on the remuneration package of individual executive directors and senior management. The criteria for selection and recommendation of candidates for directorship is that directors shall have professional knowledge and the work experience necessary for performing their duties and meet conditions specified by CBIRC. The appointment of such qualified directors is subject to the approval of CBIRC. Furthermore, pursuant to the Board's diversity policy requirements, the Nomination and Remuneration Committee shall also ensure that the Board consists of members who have diversified perspectives and views.

Consumer Rights Protection Committee

The main duties of the Consumer Rights Protection Committee are to (i) formulate strategies, policies and objectives of the consumer rights protection work; (ii) guide, urge and supervise senior management to effectively execute and implement relevant work, and regularly listen to senior management's special reports on the progress of consumer rights protection work; (iii) supervise and evaluate the comprehensiveness, timeliness and effectiveness of the Bank's consumer rights protection work as well as the performance of senior management in relation to such work; and (iv) deal with other matters as authorised by the Board.

Inclusive Finance Development Committee

The main duties of the Inclusive Finance Development Committee are to (i) formulate development strategy plans and basic management rules for the inclusive finance business of the Bank; (ii) consider annual operation plans, assessment and evaluation measures and other matters of the Inclusive Finance Business Unit; (iii) direct and supervise effective implementation of annual operation plans of the Inclusive Finance Business Unit; and 4) undertake other matters authorised by the Board.

Conflicts of Interest

No potential conflicts of interest exist between any duties to the Bank of any directors, supervisors or senior management listed above and their private or other duties.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, the Bank had 448,325 shareholders of ordinary shares in total, including 448,201 shareholders of A Shares and 124 shareholders of H Shares.

As at 30 June 2020, in accordance with the register kept by the Bank under section 336 of the SFO and so far as the Bank is aware, the following persons (excluding the Bank's directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the shares or underlying shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held five per cent. or more of any class of share capital of the Bank and would be deemed "substantial shareholders" of the Bank under Part XV of the SFO.

Name of shareholders	**Nature of interests and capacity**	**Class**	**Long/short position**	**Number of shares**	**Approximate percentage of interest**	**Approximate percentage of the relevant class of shares**
				(Share)	**(per cent.)**	**(per cent.)**
Zhejiang Provincial Financial Holdings Co., Ltd.	Beneficial owner	A Shares	Long position	2,655,443,774	12.49	15.89
Traveller Automobile Group Co., Ltd.[1] . .	Beneficial owner	A Shares	Long position	1,346,936,645	6.33	8.06
Zhejiang Hengyi Group Co., Ltd.	Beneficial owner and interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Qiu Jianlin (邱建林)	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Group Holdings Limited . . .	Beneficial owner	A Shares	Long position	1,242,724,913	5.84	7.43
Hengdian Association for Economics Corporation	Interest of controlled corporation	A Shares	Long position	1,242,724,913	5.84	7.43
Guangsha Holding Group Co., Ltd.	Beneficial owner and interest of controlled corporation	A Shares	Long position	954,655,630	4.49	5.71

Name of shareholders	Nature of interests and capacity	Class	Long/short position	Number of shares	Approximate percentage of interest	Approximate percentage of the relevant class of shares
				(Share)	(per cent.)	(per cent.)
Wan Shuifu (王水福).	Interest of controlled corporation	A Shares	Long position	850,546,358	4.00	5.09
Chen Guiha (陳桂花).	Interest of controlled corporation	A Shares	Long position	850,546,358	4.00	5.09
Chen Xiaxin (陳夏鑫).	Interest of controlled corporation	A Shares	Long position	850,546,358	4.00	5.09
Zhejiang Provincial Energy Group Co., Ltd..	Beneficial owner	A Shares	Long position	841,177,752	3.96	5.03
Zhejiang Provincial Energy Group Co., Ltd..	Interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18
Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司).	Beneficial owner and interest of controlled corporation	H Shares	Long position	645,708,000	3.04	14.18
Zhejiang Energy International Co., Ltd. (浙江能源國際有限公司)	Beneficial owner	H Shares	Long position	280,075,000	1.32	6.15
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	Beneficial owner and interest of controlled corporation	H Shares	Long position	1,000,000,000	4.70	21.96
Zhejiang Seaport (Hong Kong) Co., Limited	Beneficial owner	H Shares	Long position	864,700,000	4.07	18.99

Name of shareholders	Nature of interests and capacity	Class	Long/short position	Number of shares	Approximate percentage of interest	Approximate percentage of the relevant class of shares
				(Share)	(per cent.)	(per cent.)
Zhejiang Seaport Asset Management Co., Limited	Interest of controlled corporation	H Shares	Long position	864,700,000	4.07	18.99
Yancoal International (Holding) Company Limited	Beneficial owner	H Shares	Long position	934,000,000	4.39	20.51
Yanzhou Coal Mining Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
Yankuang Group Company Limited	Interest of controlled corporation	H Shares	Long position	934,000,000	4.39	20.51
Central Huijin Investment Ltd.	Interest of controlled corporation	H Shares	Long position	685,000,000	3.22	15.04
Next Hero Holdings Limited	Party with security interest over the shares	H Shares	Long position	490,000,000	2.30	10.76
ICBC International Investment Management Limited	Interest of controlled corporation	H Shares	Long position	490,000,000	2.30	10.76
ICBC International Holdings Limited . . .	Interest of controlled corporation	H Shares	Long position	490,000,000	2.30	10.76
Industrial and Commercial Bank of China Limited	Interest of controlled corporation	H Shares	Long position	490,000,000	2.30	10.76
Hong Kong Xinhu Investment Co., Ltd..	Beneficial owner	H Shares	Long position	389,037,000	1.83	8.54

Name of shareholders	Nature of interests and capacity	Class	Long/short position	Number of shares	Approximate percentage of interest	Approximate percentage of the relevant class of shares
				(Share)	(per cent.)	(per cent.)
Xinhu Zhongbao Co., Ltd	Interest of controlled corporation	H Shares	Long position	389,037,000	1.83	8.54
Zhejiang Xinhu Group Co., Ltd.	Interest of controlled corporation	H Shares	Long position	389,037,000	1.83	8.54
Huang Wei (黃偉)	Interest of controlled corporation	H Shares	Long position	389,037,000	1.83	8.54
FTLIFE INSURANCE COMPANY LIMITED	Beneficial owner	H Shares	Long position	338,561,000	1.59	7.43
EARNING STAR LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
SUCCESS IDEA GLOBAL LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
NWS SERVICE MANAGEMENT LIMITED(2)	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
NWS SERVICE MANAGEMENT LIMITED(2)	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
NWS HOLDINGS LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
NEW WORLD DEVELOPMENT LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
CHOW TAI FOOK ENTERPRISES LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43

Name of shareholders	Nature of interests and capacity	Class	Long/short position	Number of shares	Approximate percentage of interest	Approximate percentage of the relevant class of shares
				(Share)	(per cent.)	(per cent.)
CHOW TAI FOOK (HOLDING) LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
CHOW TAI FOOK CAPITAL LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
CHENG YU TUNG FAMILY (HOLDINGS) LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
CHENG YU TUNG FAMILY (HOLDINGS II) LIMITED	Interest of controlled corporation	H Shares	Long position	338,561,000	1.59	7.43
Shaoxing Lingyan Equity Investment Fund Partnerships (Limited Partnership)	Beneficial owner	H Shares	Long position	250,000,000	1.18	5.49
Zhejiang Lingyan Capital Management Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Shanghai Run Kuan Investment Management Co., Ltd..	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Liu Yaozhong (劉耀中).	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
Great Wall Securities Co., Ltd.	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49

Name of shareholders	Nature of interests and capacity	Class	Long/short position	Number of shares	Approximate percentage of interest	Approximate percentage of the relevant class of shares
				(Share)	(per cent.)	(per cent.)
Jiaxing Credit Lingxin Investment Partnership Enterprise (Limited Partnership) (嘉興信業領信投資合夥企業(有限合夥))	Interest of controlled corporation	H Shares	Long position	250,000,000	1.18	5.49
CITIC Securities Company Limited(3)	Interest of controlled corporation	H Shares	Long position	629,869,994	2.96	13.83
CITIC Securities Company Limited(3)	Interest of controlled corporation	H Shares	Short position	456,368,678	2.15	10.02
CLSA B.V.(3)	Interest of controlled corporation	H Shares	Long position	629,869,994	2.96	13.83
CLSA B.V.(3)	Interest of controlled corporation	H Shares	Short position	456,368,678	2.15	10.02
CITIC CLSA Global Markets Holdings Limited(3)	Interest of controlled corporation	H Shares	Long position	629,869,994	2.96	13.83
CITIC CLSA Global Markets Holdings Limited(3)	Interest of controlled corporation	H Shares	Short position	456,368,678	2.15	10.02
CSI Capital Management Limited(3)	Beneficial owner	H Shares	Long position	629,869,994	2.96	13.83
CSI Capital Management Limited(3)	Beneficial owner	H Shares	Short position	7,735,062	0.04	0.17
CSI Financial Products Limited . . .	Beneficial owner	H Shares	Short position	448,633,616	2.11	9.85

Name of shareholders	Nature of interests and capacity	Class	Long/short position	Number of shares	Approximate percentage of interest	Approximate percentage of the relevant class of shares
				(Share)	(per cent.)	(per cent.)
Goncius I Limited(3)	Beneficial owner	H Shares	Long position	792,843,890	3.73	17.41
Goncius I Limited(3)	Beneficial owner	H Shares	Short position	792,843,890	3.73	17.41

Notes:

(1) As Traveller Automobile Group Co., Ltd., a shareholder of the Bank, failed to provide the relevant information, the Bank is not aware of the latest information about the interests in shares and short position of such shareholder.

(2) These two companies that have the same name have different registered addresses.

(3) The shareholdings of these shareholders are under derivative instruments.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear, Clearstream or CMU (together, the "**Clearing Systems**") currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer and the Bank believe to be reliable, but none of the Issuer, the Bank or any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None the Issuer, the Bank or any other party to the Fiscal Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to, or payments made on account of, such beneficial ownership interests.

BOOK-ENTRY SYSTEMS

Euroclear and Clearstream

Euroclear and Clearstream each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

CMU

The CMU Service is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU Service. The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all members of the Hong Kong Capital Markets Association, authorised institutions under the Banking Ordinance and other domestic and overseas financial institutions at the discretion of the HKMA. Compared to clearing services provided by Euroclear and Clearstream, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members.

Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest in the Notes through an account with either Euroclear or Clearstream will hold that interest through the respective accounts which Euroclear and Clearstream each have with the CMU Service.

TRANSFERS OF NOTES REPRESENTED BY GLOBAL NOTES

Transfers of any interests in Notes represented by a Global Note within Euroclear, Clearstream and the CMU Service will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System. Euroclear, Clearstream and the CMU Service have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Notes among accountholders of Euroclear, Clearstream and the CMU Service. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Hong Kong Branch, the Bank, the Paying Agents, the Registrar and the Dealers will be responsible for any performance by Euroclear, Clearstream or the CMU Service or their respective accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

REGULATION AND SUPERVISION IN THE PRC

The banking industry is heavily regulated in the PRC, with CBIRC and PBOC acting as the principal regulatory authorities. CBIRC is primarily responsible for supervising and regulating banking and insurance institutions, and PBOC, as the central bank of the PRC, is primarily responsible for formulating and implementing monetary policies. The applicable laws and regulations governing activities in the PRC's banking industry consist principally of the PRC PBOC Law, the PRC Commercial Banking Law, the Law of PRC on Supervision and Administration of Banking Sector, and the rules and regulations promulgated thereunder.

PRINCIPAL REGULATORS

Prior to April 2003, PBOC acted as both the PRC's central bank and the principal supervisor and regulator of the banking industry in the PRC. In April 2003, CBRC was established to serve as the primary banking industry regulator and it assumed the majority of bank regulatory functions from PBOC. PBOC retained its role as the central bank but now has a smaller role in the regulation of banking institutions. In April 2018, CBRC and CIRC were merged as China Banking and Insurance Regulatory Commission, covering the regulation of banking and insurance sectors in the PRC. In this Offering Circular, the term of "CBRC" is used in the context of regulations, rules and actions issued or taken by CBRC before April 2018.

CBIRC

Functions and Powers

CBIRC is the primary supervisory authority responsible for the regulation of banking and insurance institutions operating in the PRC, including branches and representative offices established by foreign financial institutions in the banking sector in the PRC.

According to the Law of PRC on Supervision and Administration of Banking Sector, the main responsibilities of CBIRC in relation to banking regulation include:

(1) formulating and promulgating rules and regulations governing banking institutions and their business activities;

(2) reviewing and approving the establishment, change, dissolution and business scope of banking institutions, as well as granting banking licences for commercial banks, their branches and subsidiaries, branches and representative offices of foreign banks in the PRC;

(3) regulating the business activities of banking institutions, including the products and services they offer;

(4) setting qualification requirements for, and approving or overseeing the nomination of, directors and senior management personnel of banking institutions;

(5) setting guidelines and standards for internal controls, risk exposure and corporate governance of, and disclosure requirements for, banking institutions;

(6) conducting on-site inspection and off-site surveillance of the business activities and risk exposure status of banking institutions;

(7) monitoring the financial condition of banking institutions, including establishing standards or requirements for capital adequacy, asset quality and other financial metrics;

(8) imposing corrective and punitive measures for violations of applicable banking regulations;

(9) formulating prudential regulation principles of banking sector in accordance with laws and administrative regulations;

(10) working with authorities (including the PBOC and the MOF);

(11) to establish emergency disposal mechanisms and to deal with any emergencies in the banking sector;

(12) guiding and conducting surveillance on the activities of banking self-disciplinary organisations; and

(13) carrying out international communication and cooperation activities related to supervisions of the banking sector.

Examination and Supervision

CBIRC, through its head office in Beijing and offices in each province, provincial-level municipality and autonomous region, monitors the operations of commercial banks and their branches through on-site inspections and off-site surveillance. On-site inspections generally include visiting the banks' premises, interviewing bank employees, senior management and directors, as well as reviewing documents and materials maintained by the banks. CBIRC also conducts off-site surveillance by reviewing financial and other reports regularly submitted by the banks. Off-site surveillance generally includes the surveillance of banks' business activities and risk exposure status to evaluate and analyse the operational risk of the banks. If a banking institution is not in compliance with a regulation, CBIRC has the power to issue corrective and punitive measures, including imposition of fines, suspension of certain business activities, restrictions on distributions of dividends and other income and asset transfers, closure of the institution and other penalties.

PBOC

As the central bank of the PRC, PBOC is responsible for formulating and implementing monetary policies and maintaining the stability of the financial markets. According to the PRC PBOC Law, PBOC is empowered to do the following:

(1) drafting and enforcing relevant laws, rules and regulations that are related to fulfilling its functions;

(2) formulating and implementing monetary policy in accordance with law;

(3) issuing the Renminbi and administering its circulation;

(4) regulating the inter-bank lending market and the inter-bank bond market;

(5) implementing foreign exchange management, supervising inter-bank foreign exchange market;

(6) supervising and regulating gold market;

(7) holding and managing the state foreign exchange and gold reserves;

(8) managing the State treasury as fiscal agent;

(9) making payment and settlement rules in collaboration with relevant departments and ensuring normal operation of the payment and settlement systems;

(10) providing guidance to anti-money laundering work in the financial sector and monitoring money-laundering related suspicious fund movement;

(11) developing statistics system for the financial industry and responsible for the consolidation of financial statistics as well as the conduct of economic analysis and forecast; and

(12) participating in international financial activities at the capacity of the central bank.

OTHER REGULATORY AUTHORITIES

In addition to CBIRC and PBOC, commercial banks in the PRC are also subject to the supervision and regulation by other regulatory authorities including, among others, SAFE, CSRC and NDRC. For example, in conducting foreign exchange business, banks are subject to the regulation of SAFE; and in dealing with securities-related matters such as distributing securities investment funds or acting as the custodians of investment assets of securities institutional investors, banks are subject to the regulation of CSRC.

REGULATIONS REGARDING CAPITAL ADEQUACY

Capital Adequacy Guidelines

In March 2004, CBRC implemented capital adequacy guidelines applicable to all commercial banks in the PRC. The guidelines, Measures for the Management of Capital Adequacy Ratios of Commercial Bank (the "**Capital Adequacy Measures**"), provided for a phase-in period whereby all domestic banks must have met minimum capital adequacy ratios by 1 January 2007. On 3 July 2007, CBRC amended the Capital Adequacy Measures issued in March 2004 to set forth new and more stringent capital adequacy guidelines which must be complied with from 3 July 2007.

In June 2012, the CBRC issued the Administrative Measures on the Capital of Commercial Banks (Trial) (商業銀行資本管理辦法) (the "**2012 Administrative Measures**") regulating capital adequacy ratios ("**CAR**") of PRC commercial banks which invalidates the Capital Adequacy Measures. The 2012 Administrative Measures, which are intended to reflect the Basel III regulatory capital requirements, set out minimum CAR requirements for commercial banks and provide detailed guidelines on the calculation of "capital" and "risk-weighted assets". The overall CAR requirements are 11.5 per cent. for systematically important commercial banks and 10.5 per cent. for other commercial banks. Commercial banks in the PRC are required to have a CAR (including capital conservation buffer) of not less than 10.5 per cent., Tier 1 CAR of not less than 8.5 per cent. and Core Tier 1 CAR of not less than 7.5 per cent. The CAR are calculated in accordance with the 2012 Administrative Measures as follows:

$$\text{Capital Adequacy Ratio} = \frac{\text{Total Capital – deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100 \text{ per cent.}$$

$$\text{Tier 1 Capital Adequacy Ratio} = \frac{\text{Tier 1 Capital – deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100 \text{ per cent.}$$

$$\text{Core Tier 1 Capital Adequacy Ratio} = \frac{\text{Core Tier 1 Capital – deductions from corresponding capital instruments}}{\text{Risk-weighted Assets}} \times 100 \text{ per cent.}$$

On 29 November 2012, the CBRC further released the Guiding Opinion on Commercial Banks' Innovation on Capital Instruments (中國銀監會關於商業銀行資本工具創新的指導意見) (the "**2012 Guiding Opinions**"), setting out the general principles of the innovation of capital instruments of commercial banks and criteria of qualified capital instruments, which was further revised by the Guiding Opinion on Commercial Banks' Innovation on Capital Instruments (Revision) (the "**2019 Guiding Opinions Revision**") promulgated by CBIRC on 22 November 2019.

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers or certain professional investors) may be subject to special rules. Investors should consult their own tax advisers regarding the tax consequences of an investment in the Notes.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of the PRC for PRC tax purposes. These beneficial owners are referred to as "non-PRC Noteholders" or "non-resident Noteholders" in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the Enterprise Income Tax Law (企業所得稅法) effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, and the PRC Individual Income Tax Law (個人所得稅法), as amended on 30 June 2011 and 31 August 2018, and their implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-resident Noteholders, including non-resident enterprises and non-resident individuals.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation ("**SAT**") issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知)(財稅[2016]36號) (Caishui [2016] No. 36, "**Circular 36**") which confirms that business tax was replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC, but where the services are sold by offshore entities or individuals to onshore entities or individuals and such services purely take place outside the PRC, they should not be deemed as services sold within the territory of the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes by a PRC issuer is likely to be treated as the holders of the Notes providing loans to such PRC issuer.

(I) In the event that the Issuer is the Bank

In the event that the Issuer is the Bank, the Bank will be subject to withholding PRC income tax on the payment of interest of the Notes to non-resident Noteholders. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest, in each case, unless a lower rate is available under an applicable tax treaty. For example, the tax so charged on interests paid on the Notes to non-resident Noteholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between the PRC and Hong Kong for purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to such arrangement. Further, given that the Bank is located in the PRC, the holders of the Notes would be regarded as providing the financial services within the PRC and consequently, the holders of the Notes shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent. Given that the Issuer pays interest income to Noteholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Noteholders who are located outside of the PRC. The Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Notes*".

Under the Enterprise Income Tax Law and its implementation rules, any gains realised on the transfer of the Notes by holders who are deemed as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Notes would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Notes minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes.

(II) In the event that the Issuer is the Hong Kong Branch

In the event that the Issuer is the Hong Kong Branch, the Issuer is not obliged to withhold PRC income tax at the rate up to 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) on the payments of interest made by it to non-resident Noteholders provided that the payments are made outside of the territory of PRC and the issuer is not held to be a PRC tax resident enterprise by PRC tax authorities. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the Issuer is a PRC tax resident or the interest on the Notes payable by the Issuer is treated as income sourced from the PRC, a withholding tax may be imposed on such interest and the Issuer will pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the "*Terms and Conditions of the Notes*".

In the case of issuance of Notes by the Hong Kong Branch, Circular 36 is unlikely to apply if the provision of loans by individuals or entities located outside the PRC takes place outside the PRC, but there is uncertainty as to the applicability of VAT as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules.

If the Bank shall perform the obligation of paying interest of the Notes in the event and only when the Issuer fails to perform its obligations of paying the interest of the Notes, the Bank will be obliged to withhold PRC income tax at a rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) (unless a lower rate is available under an applicable tax treaty) and if the holders of the Notes are regarded as providing the financial services within the PRC, PRC VAT tax and local levies at the rate of 6.72 per cent. of the interest component of the amount payable by the Bank to the Noteholders.

Non-resident Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside the PRC between non-resident Noteholders, except however, if such capital gains are determined as income sourced in the PRC, accordingly such capital gains would be subject to the rate of 10 per cent. (for non-resident enterprises) or 20 per cent. (for non-resident individuals) of PRC withholding tax unless there is a lower tax rate applicable. According to an arrangement between the PRC and Hong Kong for the avoidance of double taxation, Noteholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Notes. There is uncertainty as to whether gains realized on the transfer of the Notes by individual holders who are not PRC citizens or residents will be treated as income sourced within the PRC which as a result will be subject to PRC individual income tax.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically VAT prescribed under Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

Circular 36 has been issued quite recently, the above statements on VAT may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT (should such tax apply) from the payments of interest in respect of the Notes for any non-PRC Noteholder and the Issuer shall withhold VAT (should such tax apply) from the payments of interest in respect of the Notes for any Noteholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT or VAT otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Notes – Condition 8 (Taxation)*".

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal, premium on redemption of the Notes or interest in respect of the Notes or in respect of any capital gains from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong; or

(iii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance).

Where the Hong Kong Branch is the Issuer, pursuant to the Exemption from Profits Tax (Interest Income) Order, interest income accruing to a person other than a financial institution on deposits (denominated in any currency and whether or not the deposit is evidenced by a certificate of deposit) placed with, *inter alia*, an authorised institution in Hong Kong (within the meaning of section 2 of the Banking Ordinance (Cap. 155) of Hong Kong) is exempt from the payment of Hong Kong profits tax. This exemption does not apply, however, to deposits that are used to secure or guarantee money borrowed in certain circumstances. Provided no prospectus involving the issue of the Notes is registered under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, the issue of the Notes by the Issuer is expected to constitute a deposit to which the above exemption from payment will apply.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person (other than a corporation) who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted.

Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

Gains or profits received by or accrued to a financial institution from the sale, disposal and redemption of the Notes arising through or from the carrying on by the financial institution of its business in Hong Kong will be subject to profits tax.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any sale and purchase or change in beneficial ownership of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any sale and purchase or change in beneficial ownership of Registered Notes, provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the sale and purchase of Registered Notes it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the buyer) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5.00 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

United States FATCA Tax Provisions

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the People's Republic of China) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

PRC CURRENCY CONTROLS

Remittance of Renminbi into and outside the PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai, and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, 27 July 2011 and February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知(銀發[2010]186號)), the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (關於擴大跨境貿易人民幣結算地區的通知(銀發[2011]203號)) and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知(銀發[2012]23號)), Circulars with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these circulars (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts was expanded all provinces and municipality cities, (iii) the restriction on designated offshore districts has been uplifted, and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the "**Six Authorities**") a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the "**Supervision List**"). On 12 June 2012, the PBOC issued a notice stating that the Six Authorities had jointly verified and announced a Supervision List and as a result any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports.

Accordingly, offshore enterprises are entitled to use Renminbi to settle imports of goods and services and other current account items. Renminbi remittance for exports of goods from the PRC may only be effected by (a) enterprises with the foreign trading right and incorporated in a province which has already submitted the Supervision List (for the avoidance of doubt, that PRC enterprise does not necessarily need to be included in the Supervision List) or (b) enterprises that have been approved as a pilot enterprise for using Renminbi for exports before the Six Authorities reviewed and approved the Supervision List submitted by relevant province.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知(銀發[2013]168號)), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for the PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow the PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯賬戶的通知(匯發[2019]29號)) which became effective on 1 February 2020. SAFE has decided to review and integrate certain foreign exchange accounts and further reduce the types of accounts in order to further intensify the reform of foreign exchange administration, simplifying the relevant business operating procedures, and facilitate true and compliant foreign exchange transactions by banks, enterprises and other market participants, for example, "Current accounts – foreign currency cash account" and "current accounts – foreign exchange account under current accounts of overseas institutions" are included in "current accounts – foreign exchange settlement account".

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知(匯發[2019]28號)), based on which, for the revenue obtained by an enterprise from trade in goods, the enterprise may, on its own, decide whether to open a to-be-inspected account for export revenue ("**to-be-inspected account**"). If an enterprise has not opened a to-be-inspected account, the examined revenue from trade in goods by the bank in accordance with the existing provisions may be directly deposited into the foreign exchange account under current accounts or used for foreign exchange settlement.

The circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the circulars and impose conditions for settlement of current account items. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the use of Renminbi for payment of transactions categorised as current account items, then such settlement will need to be made subject to the specific requirements or restrictions set out in such rules.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, SAFE promulgated Notice of the General Affairs Department of the State Administration of Foreign Exchange on Regulating the Cross-border RMB Capital Account Operations (國家外匯管理局綜合司關於規範跨境人民幣資本專案業務操作有關問題的通知) (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the relevant MOFCOM to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the foreign guarantee provided, by an onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and foreign guarantee regime.

On 12 October 2011, MOFCOM promulgated the Notice on Issues concerning Cross-border Direct Investment in RMB (商務部關於跨境人民幣直接投資有關問題的通知) (the "**2011 MOFCOM Notice**"). In accordance with the 2011 MOFCOM Notice, MOFCOM and its local counterparts are authorised to approve RMB FDI in accordance with existing PRC laws and regulations regarding foreign investment, with the following exceptions which require the preliminary approval by the provincial counterpart of MOFCOM and the consent of MOFCOM: (i) RMB FDI with the capital contribution in Renminbi of RMB300 million or more; (ii) RMB FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) RMB FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) RMB FDI in cement, iron & steel, electrolytic aluminium, shipbuilding or other policy sensitive sectors. In addition, RMB FDI in real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although Renminbi foreign debt remains unavailable to foreign invested real estate enterprises. The proceeds of RMB FDI may not be used towards investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement under the PRC strategic investment regime.

On 13 October 2011, the PBOC promulgated PBOC RMB FDI Measures as amended in May 2015, pursuant to which, PBOC special approval for RMB FDI and shareholder loans which was required by an earlier circular of PBOC is no longer necessary. The PBOC RMB FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licenses for the purpose of Renminbi settlement, and a foreign investor is allowed to open Renminbi special accounts for designated usage in relation to making equity investment in a PRC enterprise or receiving Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries. The PBOC RMB FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

On 19 November 2012, SAFE promulgated Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) (the "**SAFE Circular on DI**"), which became effective on 17 December 2012 and was later amended on 4 May 2015. According to the SAFE Circular on DI, SAFE removes or adjusts certain administrative licensing items with regard to foreign exchange administration over direct investments to promote investment, including, but not limited to, the abrogation of SAFE approval for opening of and payment into foreign exchange accounts under direct investment accounts, the abrogation of SAFE approval for reinvestment with legal income generated within the PRC of foreign investors, the simplification of the administration of foreign exchange reinvestments by foreign investment companies, and the abrogation of SAFE approval for purchase and external payment of foreign exchange under direct investment accounts.

On 5 July 2013, the PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (中國人民銀行關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**"), which simplifies the operating procedures on current account cross-border Renminbi settlement, provision of Renminbi outbound loans and Renminbi cross-border security in favour of offshore entities by onshore non-financial institutions, and further published policies with respect to bank card related cross-border Renminbi clearing and issuance of offshore Renminbi bonds by onshore non-financial institutions. The 2013 PBOC Circular intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 3 December 2013, the MOFCOM promulgated Announcement on Issues Related to Cross-border RMB Direct Investment (關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. The MOFCOM Circular replaced the 2011 MOFCOM Notice. Pursuant to the MOFCOM Circular, written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Compared with the 2011 MOFCOM Notice, the MOFCOM Circular no longer contains the requirements for central level MOFCOM approvals for investments of RMB300 million or above, or in certain industries, such as financial guarantee, financial leasing, microcredit, auction, foreign invested investment companies, venture capital and equity investment vehicles, cement, iron and steel, electrolyse aluminium, ship building and other industries under the state macro regulation. Unlike the 2011 MOFCOM Notice, the MOFCOM Circular has also removed the approval requirement for foreign investors who intend to change the currency of their existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits FDI funds from being used for any investments in securities and financial derivatives (except for investments in PRC listed companies by strategic investors) or for entrustment loans in the PRC.

On 30 March 2015, SAFE promulgated the Notices of Reformation on Administration of Settlement of Capital Foreign Exchange of Foreign-invested Enterprises (關於改革外商投資外匯資本金結匯管理方式的通知(匯發[2015]19號)), which became effective on 1 June 2015. In order to further deepen the reform of the foreign exchange administration system, better satisfy and facilitate the needs of foreign-invested enterprises for business and capital operation, the SAFE has decided to reform the management approach regarding the settlement of the foreign exchange capital of foreign-invested enterprises nationwide on the basis of summarising the pilot experience of certain regions in the early days. The key points of this notice set out as the following:

- the foreign exchange capital of foreign-invested enterprises shall be subject to the discretional foreign exchange settlement;
- the capital in Renminbi obtained by foreign-invested enterprises from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment;
- the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises;
- facilitating foreign-invested enterprises in carrying out domestic equity investment with the capital obtained from foreign exchange settlement;
- further standardising the administration of payment by the capital obtained by foreign exchange settlement;

- administration of the settlement and use of the capital in other foreign exchange accounts under direct investment; and

- further strengthening the ex-post regulation as well as investigation on and punishment against violations by the foreign exchange bureaus.

Previously, Renminbi may only be converted for capital account expenses once the prior approval of the SAFE had been obtained. However, according to the Circular of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies of Foreign Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13號)) issued on 13 February 2015, the SAFE authorised some qualified local banks in the PRC to carry out foreign exchange procedures in relation to inbound and outbound investment from 1 June 2015.

On 26 January 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)) to further advance the reform of foreign exchange administration, such as:

- settlement of domestic foreign exchange loans are allowed for export trade in goods. A domestic institution shall repay loans with the foreign exchange funds received from export trade in goods, rather than, in principle, purchased foreign exchange;

- a debtor may directly or indirectly repatriate the funds under guarantee and use them domestically by, among others, granting loans and making equity investment domestically. Where a bank performs its guarantee obligation under overseas loans with domestic guarantee, relevant foreign exchange settlement and sale shall be managed as the bank's own foreign exchange settlement and sale;

- the deposits absorbed by a domestic bank through its principal international foreign exchange account and allowed to be used domestically are no more than 100 per cent. of the average daily deposit balance in the previous six months as opposed to the former 50 per cent.; and the funds used domestically are not included in the bank's outstanding short-term external debt quota;

- allowing foreign exchange settlement in the domestic foreign exchange accounts of overseas institutions within pilot free trade zones: Where funds are repatriated and used domestically after settlement, a domestic bank shall, under the relevant provisions on cross-border transactions, handle such funds by examining the valid commercial documents and vouchers of domestic institutions and domestic individuals; and

- where a domestic institution grants overseas loans, the total of the balance of overseas loans granted in domestic currency and the balance of overseas loans granted in foreign currency shall not exceed 30 per cent. of owner's equity in the audited financial statements of the previous year.

Since September 2015, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor ("**RQFII**") regime and the China Interbank Bond Market ("**CIBM**"), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM and has also expanded the list of foreign investors eligible to directly invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In 2018, CFETS further relaxed qualifications, application materials and the procedures for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

On 23 October 2019, the SAFE promulgated Notice by the State Administration of Foreign Exchange of Simplifying Foreign Exchange Accounts (國家外匯管理局關於精簡外匯賬戶的通知(匯發[2019]29號)) which became effective on 1 February 2020, according to which, several measures were taken to intensify, for example, "Capital accounts – special account for domestic reinvestment" is included in "capital accounts – foreign exchange capital account".

On the same day, the SAFE issued Notice by the State Administration of Foreign Exchange of Further Facilitating Cross-border Trade and Investment (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知(匯發[2019]28號)) in order to further promote the reform of "simplification of administrative procedures and decentralization of powers, combination of decentralization and appropriate control, and optimization of services". It cancelled restrictions on the use of funds in domestic asset realization accounts for foreign exchange settlement and restrictions on the number of opened foreign exchange accounts under capital accounts.

These circulars will be subject to interpretation and application by the relevant PRC authorities. There is no assurance that approval of such remittances, borrowing or provision of external guarantee in Renminbi will continue to be granted or will not be revoked in the future. Further, since the remittance of Renminbi by way of investment or loans are now categorised as capital account items, such remittances will need to be made subject to the specific requirements or restrictions set out in the relevant SAFE rules. If any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

Dealer Agreement

Subject to the terms and on the conditions contained in the dealer agreement dated 4 January 2021 (such Dealer Agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") made between the Bank (on behalf of itself and the Hong Kong Branch), the Arrangers and the permanent Dealers, the Notes may be offered from time to time by the Issuer to the permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer will reimburse the Arrangers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant subscription agreement.

The Issuer will indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and directives, over-allot Notes or effect transactions with a view to supporting the price of the Notes of the Series at a level higher than that which might otherwise prevail for a limited period after the Issue Date of the relevant Tranche of Notes, but in so doing, the Stabilisation Manager(s) or any person acting on behalf of the Stabilisation Manager(s) shall act as principal and not as agent of the Issuer. However, there is no obligation of such Stabilisation Manager(s) to do this. Any loss or profit sustained as a consequence of any such overallotment or stabilisation shall be for the account of the relevant Dealers.

The Arrangers, the Dealers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Arrangers, the Dealers or any of their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with or for the Issuer and/or its affiliates for which they have received, or will receive, fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its affiliates in the ordinary course of the Issuer's or their business.

In the ordinary course of their various business activities, the Arrangers, the Dealers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Bank or the Hong Kong Branch, including the Notes and could adversely affect the trading price and liquidity of the relevant Notes. The Arrangers, the Dealers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Notes or other financial instruments of the Issuer, the Bank or the Hong Kong Branch and may recommend to their clients that they acquire long and/or short positions in the Notes or other financial instruments of the Issuer, the Bank or the Hong Kong Branch.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates or affiliates of the Issuer or the Bank may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers and/or their respective affiliates or affiliates of the Issuer or the Bank may act as investors and place orders, receive allocations and purchase and trade Notes for their own account (without a view to distributing such Notes) and such orders and/or allocations and/or trades of the Notes may be material. Such entities may hold or sell such Notes or purchase further Notes for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Notes or other securities otherwise than in connection with the offering. Accordingly, references herein to the Notes being "offered" should be read as including any offering of the Notes to the Issuer, the Bank, the Hong Kong Branch, the Arrangers, the Dealers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. If such transactions occur, the trading price and liquidity of such Notes may be impacted.

Furthermore, it is possible that a significant proportion of a Series of the Notes may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in such Notes may be constrained. The Issuer, the Bank, the Hong Kong Branch and the Dealers are under no obligation to disclose the extent of the distribution of the Notes amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, the Notes may not be offered or sold within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act.

(b) Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Bearer Notes will be issued in accordance with the provisions of U.S. Treasury Regulation or section 1.163 – 5(c)(2)(i)(D), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation or section 1.163 – 5(c)(2)(i)(C). The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

(c) In connection with any Notes which are offered or sold outside the United States in reliance on exemption from the registration requirements of the Securities Act provided under Category 1 of Regulation S ("**Category 1 of Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any such Category 1 of Regulation S Notes constituting part of its allotment in the United States except in accordance with Rule 903 of Regulation S under the Securities Act, and that accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to such Category 1 of Regulation S Notes. In addition, until 40 days after the commencement of the offering of any identifiable tranche of such Category 1 of Regulation S Notes, an offer or sale of such Category 1 of Regulation S Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

(d) In connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S ("**Category 2 of Regulation S Notes**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will offer, sell or deliver such Category 2 of Regulation S Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all such Category 2 of Regulation S Notes of the Tranche of which such Category 2 of Regulation S Notes are a part, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 of Regulation S Notes are a part, only in accordance with Rule 903 of Regulation S under the Securities Act, and that accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to such Category 2 of Regulation S Notes. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 of Regulation S Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 of Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of any such Category 2 of Regulation S Notes, an offer or sale of such Category 2 of Regulation S Notes within the United States by any dealer that is not participating in the offering of such Tranche of Category 2 of Regulation S Notes may violate the registration requirements of the Securities Act.

Selling Restrictions Addressing Additional United Kingdom Securities Laws

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the relevant subscription agreement:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction under the Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area (each, a "**Relevant State**"), each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) *Approved prospectus:* if the Pricing Supplement in relation to the Notes specifies that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Relevant State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) *Qualified investors:* at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(c) *Fewer than 150 offerees:* at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) *Other exempt offers:* at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

   (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

   (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

   (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Public Offer Selling Restriction under the UK Prospectus Regulation

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to section 86 of the FSMA (a "**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which either (i) has been approved by the Financial Conduct Authority, or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provision in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Public Offer, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

(b) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**FSMA**" means the Financial Services and Markets Act 2000 and the expression an "**offer of Notes to the public**" in relation to any Notes in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: *In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

People's Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong Special Administrative Region and Macau Special Administrative Region of the People's Republic of China or Taiwan), except as permitted by the laws of the People's Republic of China.

General

Each Dealer has agreed and each further Dealers appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer and any other Dealer shall have any responsibility therefor.

None of the Issuer and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction that would permit a public offering of any of the Notes, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorisation

1. Pursuant to the Approval of the MTN Programme Establishment of the Hong Kong Branch (Zheshang Yin Fu (2020) No. 160) (關於香港分行設立境外中期票據計劃的批覆(浙商銀覆(2020)160號)), the establishment of the Programme have been duly authorised.

2. The Issuer has agreed to obtain from time to time all necessary internal consents, approvals and authorisations for the issue of Notes under the Programme. The Bank shall obtain (to the extent as required) approvals from the NDRC, the PBOC, the SAFE and the CBIRC in connection with its issuance of the Notes as the Issuer and the repayment of the principal and/or interest of the Notes by the Bank may be adversely affected in the event any required registration is not obtained.

Listing

3. Application has been made to the Hong Kong Stock Exchange for the listing of the Programme during the 12-month period on the Hong Kong Stock Exchange under which Notes may be issued by way of debt issues to Professional Investors only. The issue price of listed Notes on the Hong Kong Stock Exchange will be expressed as a percentage of their nominal amount. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes. Notes listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).

NDRC Approval

4. The Notes will be issued in accordance with the pre-issuance filing and registration with the NDRC to obtain the Enterprise Overseas Debt Issuance Filing and Registration Certificate (企業發行外債備案登記證明) prior to the issuance of the Notes under the Programme pursuant to the NDRC Circular. The Bank will make a pre-issuance registration with the NDRC, followed by a post-issuance filing with the NDRC within the prescribed time following issuance of the Notes.

Clearing Systems

5. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream. The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream will be specified in the applicable Pricing Supplement. The Issuer may also apply to have Notes accepted for clearance through the CMU Service. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

6. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of the CMU Service is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

Legal Entity Identifier

7. The legal entity identifier of the Bank is 300300C1031633000208.

No Material Adverse Change

8. Save as disclosed in this Offering Circular, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the financial or trading position or prospectus of the Bank or of the Group since 30 June 2020.

Litigation

9. Save as disclosed in this Offering Circular, neither the Issuer nor any member of the Group is involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months preceding the date of this document a material impact in the context of issuance of the Notes.

Independent Auditors

10. The independent auditor of the Bank for the years ended 31 December 2017, 2018 and 2019 was PricewaterhouseCoopers, and the independent auditor of the Bank for the year ending 31 December 2020 is KPMG, in accordance with the requirement of the Ministry of Finance with respect to the limitation of appointment period of an auditor for a financial enterprise. Each of PricewaterhouseCoopers and KPMG is a Certified Public Accountants under The Hong Kong Institute of Certified Public Accountants.

11. The Audited Financial Statements, which are incorporated by reference in this Offering Circular, have been audited by PricewaterhouseCoopers, independent auditor, as stated in their reports incorporated by reference in this Offering Circular.

12. The 2020 Interim Financial Statements, which are incorporated by reference in this Offering Circular, have been reviewed by KPMG, independent auditor, as stated in their report incorporated by reference in this Offering Circular. Consequently, such unaudited reviewed condensed consolidated financial statements may not provide the same quality of information associated with information that has been subject to an audit.

13. The 2020 Third Quarter Financial Statements, which are included elsewhere in this Offering Circular, have neither been audited nor reviewed. The 2020 Third Quarter Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. The 2020 Third Quarter Financial Statements should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending 31 December 2020. None of the Auditors, the Arrangers, the Dealers or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, advisers, agents and each person who controls any of them make any representation, or warranty, express or implied, regarding the sufficiency of the 2020 Third Quarter Financial Statements for an assessment of the Group's financial condition, results of operations and results.

14. As at 1 January 2018, the Group has adopted new accounting standards, including IFRS 9, which are effective for accounting periods beginning on or after 1 January 2018. The IFRS 9 model introduces, among other things, an expected loss impairment model. The impact of the initial application of the new accounting standards is disclosed in Note 2 of the Group's audited consolidated financial statements as at and for the year ended 31 December 2018. The adoption of IFRS 9 has resulted in

changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets for the Group. The classification and measurement and impairment requirements of IFRS 9 are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures.

15. The Group has adopted IFRS 16 as issued by IASB with a date of initial application on 1 January 2019. The impact of the adoption of IFRS 16 is disclosed in Note 2 of the Group's audited consolidated financial statements as at and for the year ended 31 December 2019. According to the requirements of IFRS 16, the Group would not reassess the contracts that had already existed prior to the date of initial application. The Group recognised the cumulative effect of initially applying the standard as an adjustment to the opening balances of relevant line items in the financial statements in 2019. As permitted by the transitional provisions of IFRS 16, the Group elected not to restate comparative figures.

Documents

16. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the specified office of the Fiscal Agent for the time being at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong:

    (a) the constitutional documents of the Bank;

    (b) the audited consolidated financial statements of the Bank in respect of the financial year ended 31 December 2018 and 2019 (in each case together with the audit report in connection therewith). The Bank currently prepares audited consolidated accounts on an annual basis;

    (c) the unaudited but reviewed condensed consolidated financial statements of the Bank in respect of the six months ended 30 June 2020 (together with the review report in connection therewith);

    (d) the most recent annual audited consolidated financial statements of the Bank and the most recently published unaudited condensed consolidated interim financial statements of the Bank (if any);

    (e) the Fiscal Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

    (f) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein; and

    (g) any future offering circulars, prospectuses, information memoranda and supplements including Pricing Supplements (save that a Pricing Supplement relating to a Note which is not required to be published under applicable laws or stock exchange requirements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

THE ISSUER

China Zheshang Bank Co., Ltd.
浙商銀行股份有限公司
No. 288, Qingchun Road Xiacheng District, Hangzhou
Zhejiang Province
the People's Republic of China

China Zheshang Bank Co., Ltd.
(Hong Kong Branch)
浙商銀行股份有限公司(香港分行)
15/F, Three Exchange Square,
No. 8 Connaught Place
Central
Hong Kong

ARRANGERS AND DEALERS

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

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

FISCAL AGENT

Citicorp International Limited
20th Floor, Citi Tower, One Bay East
83 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16, 60323
Frankfurt am Main
Germany

ISSUING AND PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
1 North Wall Quay
Dublin 1
Ireland

CMU LODGING AND PAYING AGENT

Citicorp International Limited
10th Floor, Citi Tower, One Bay East
83 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

LEGAL ADVISERS

To the Issuer as to English law and Hong Kong law

Allen & Overy
9th Floor, Three Exchange Square
Central Hong Kong

To the Arrangers and Dealers as to English law

Linklaters
11th Floor, Alexandra House
Chater Road
Hong Kong

To the Issuer as to PRC law

Zhejiang T&C Law Firm
8/F Building A, Dragon Century Plaza
No. 1 Hangda Road
Hangzhou, 310007 China

To the Arrangers and Dealers as to PRC law

JunHe LLP
20th Floor 8 Jianguomenbei Avenue
Beijing 100005,
PRC

INDEPENDENT AUDITORS OF THE BANK

For the years ended 31 December 2017, 2018 and 2019

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central
Hong Kong

From 1 January 2020 onwards

KPMG
Certified Public Accountants
8/F, Prince's Building, 10 Chater Road
Central
Hong Kong