RISK MANAGEMENT OF THE BANK

Overview

The Bank is exposed to credit, operating, market and liquidity risks. The Bank is also exposed to other risks, such as information technology, legal and compliance and reputational risks.

The Bank has established a comprehensive risk management system with complete risk management coverage and have developed a culture of risk management among its staff. The Bank's risk management system uses innovative risk management methods and extensive risk measurement to facilitate the innovation and sustainable development of its businesses.

Risk Management Principles and Objectives

The Bank is committed to improving risk management policies, systems and guidelines and risk identification measures. The Bank's risk management is based on the principles of comprehensiveness, cautiousness, effectiveness and independence:

Comprehensiveness	risk management penetrates all business procedures and operations and covers all positions, departments and subsidiaries
Cautiousness	the Bank focuses on risk prevention and prudent operation by prioritizing internal control in the Bank's management, especially with respect to new units or new businesses
Effectiveness	the Bank has a clear division of duties between departments and positions to balance authority and properly segregate front office operations from mid and back office management
Independence	departments responsible for supervising and assessing risk management are independent of other departments and report directly to the Bank's board of directors, board of supervisors and senior management

The Bank's objectives in risk management include:

- implementing government policies and guidelines to manage financial risks and ensure that business activities comply with PRC laws and regulations;
- cultivating a bank-wide culture of risk management among employees to raise risk management awareness;
- improving risk management systems and procedures, including the Bank's risk management organizational structure and operating procedures;
- establishing emergency plans for material risks to avoid substantial losses from disasters or human errors;
- increasing its ability to identify, measure, prevent and handle risks and achieve operational objectives; and
- maintaining risks within acceptable levels to support the sustainable development of its businesses.

Risk Management Measures

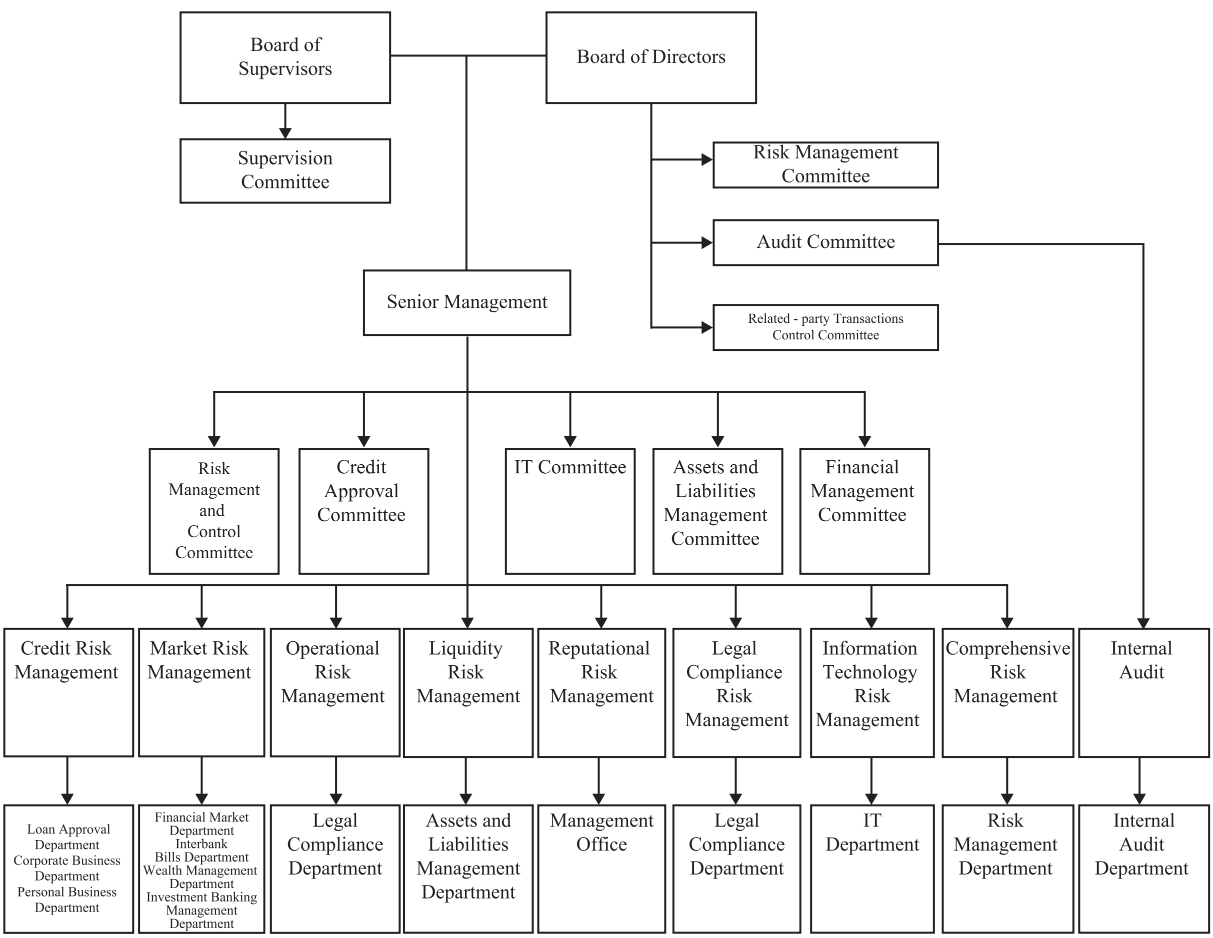
To achieve its risk management objectives and improve risk recognition, the Bank has adopted the following measures:

- The Bank has established a risk management structure that ensures effective management and comprehensive protection. Details include:
  - The Bank has established a comprehensive internal control system to manage legal and regulatory compliance risks. The Bank has also established a comprehensive risk management structure to separate duties among departments and divisions. This structure is in line with its enterprise structure to ensure operational efficiency;
  - The Bank's risk management structure is supervised and monitored by its risk management committee. All departments participate in risk management under the centralized management of the Bank's risk management committee; and
- The Bank has formulated and implemented comprehensive management plans and regulations. Details include:
  - The Bank has established a reporting system that allows its risk management team to update rules based on staff and customer feedback and the latest market conditions. The system helps timely identify potential gaps in risk management and respond to risks arising from market changes and innovative financial products and services;
  - The Bank has implemented an on-site inspection mechanism. Its business management departments and internal audit departments carry out on-site inspections of branches, sub-branches and subsidiaries (including its village and township banks) to identify and resolve compliance and operational issues; and
  - In addition to cultivating a comprehensive risk management culture, the Bank has also prioritized the establishment of a specialized risk management team.
- The Bank strives to continuously improve its risk management mechanisms and refine its risk identification and control capabilities. Details include:
  - The Bank has established an incentive and accountability mechanism based on the result of risk control; and
  - The Bank convenes internal assessment meetings to consider specific issues in its daily operations. This allows its risk management team to carry out in-depth analyses of these issues and devise effective remedial measures.
- The Bank has improved its risk management methods and measures. Details include:
  - The Bank controls authorizations, including approval limits, granted to senior management, key employees and departments of its head office and sub-branches;
  - The Bank uses a unified system to manage the extension of credit. The Bank has divided responsibility for extending credit among its credit investigation, approval and execution departments to ensure proper checks and balances;
  - The Bank authorizes branches and sub-branches to determine certain aspects of their business risk portfolios based on business development needs and on the risk levels of different businesses and products;

- The Bank researches quantitative risk measurement and develops quantitative risk measurement tools to improve the quality of its asset portfolios and control risk exposure;
- The Bank has implemented risk management procedures, including stringent risk assessment for products, assets, collateral and counterparties. The Bank has also adopted strict legal and compliance management procedures to lower the risks of losses; and
- The Bank has adopted monitoring measures to prevent IT risks and ensure information safety. The Bank has also adopted emergency plans for its operating systems.

Risk Management Organizational System

As of the Latest Practicable Date, the organizational structure of the Bank's risk management was as follows:



Board of Directors and Special Committees of the Board of Directors

The Bank's board of directors is ultimately responsible for its risk management. The board is responsible for (i) determining the Bank's overall risk appetite and risk tolerance level; (ii) approving risk management strategies, policies and procedures; (iii) requiring senior management to take necessary risk response measures; and (iv) monitoring and assessing the comprehensiveness and effectiveness of the Bank's risk management. The Bank has also established a risk management committee, audit committee and related-party transactions control committee under its board of directors.

Risk Management Committee

The Bank's risk management committee is primarily responsible for (i) controlling, managing, monitoring and evaluating risks and assessing its risk management systems and internal control systems; (ii) proposing risk management strategies, policies and targets for board discussion and approval; (iii) reviewing risk management measures; and (iv) reviewing risk management issues and making recommendations to improve its risk management and internal control. The Bank's risk management committee consists of one executive director, Mr. Liang Xiangmin, and two independent non-executive directors, Mr. Li Beiwei and Mr. Chung Wing Yin, all of whom have legal or economics related backgrounds, see "Directors, Supervisors and Senior Management—Directors" for details of the work experience of the committee members. Mr. Liang is the chairman of the committee.

Audit Committee

The Bank's audit committee is primarily responsible for (i) reviewing its accounting policies, financial position, financial reports and risk and compliance conditions; (ii) proposing the engagement or replacement of external auditing firms; (iii) supervising its internal audit system; (iv) coordinating internal and external audits; and (v) ensuring the truthfulness, accuracy and completeness of its audited financial information. The Bank's audit committee consists of one non-executive director, Mr. Wang Baocheng, and two independent non-executive directors, Mr. Jin Shuo and Mr. Yang Jinguan, all of whom have finance or economics related backgrounds, see "Directors, Supervisors and Senior Management—Directors". Mr. Yang is the chairman of the committee.

Related-party Transactions Control Committee

The Bank's related-party transactions control committee is primarily responsible for (i) identifying related parties and monitoring and reviewing significant related party transactions; (ii) establishing, updating and overseeing the implementation of rules for related-party transactions; and (iii) submitting regular reports on related-party transactions to its board of directors. The Bank's related-party transactions control committee consists of two non-executive directors, Mr. Wu Shujun and Mr. Zhang Xinyou, and three independent non-executive directors, Mr. Jin Shuo, Dr. Fu Qiong and Mr. Yang Jinguan, all of whom have management, finance or economics related backgrounds, see "Directors, Supervisors and Senior Management—Directors" for details of the work experience of the committee members. Mr. Jin is the chairman of the committee.

Board of Supervisors and Supervision Committee

The Bank's board of supervisors monitors the compliance of its board of directors and senior management with laws, regulations and internal policies related to risk management. It also monitors and supervises its financial activities and internal control. Additionally, the Bank's board of supervisors conducts audits of resigning executive directors and senior management.

The supervision committee under the Bank's board of supervisors establishes supervisory plans for financial activities and conducts related inspections. It also oversees the implementation of the Bank's operating philosophy and development strategies. Additionally, the supervision committee monitors and inspects the Bank's operational decisions, risk management and internal control while performing other duties as authorized by the Bank's board of supervisors. The Bank's supervision committee consists of two external supervisors, Mr. Fan Shuguang and Mr. Wang Zhi, and one employee representative supervisor, Mr. Wang Enjiu, all of whom have finance or economics related backgrounds, see "Directors, Supervisors and Senior Management" for details of the work experience of the committee members. Mr. Fan is the chairman of the committee.

For details of the responsibilities of the Bank's board of supervisors, see "Directors, Supervisors and Senior Management—Supervisors" in this prospectus.

Senior Management and its Special Committees

Senior management implements the risk management policies, strategies, plans and policies determined by the Bank's board of directors and coordinates risk management activities. With the assistance of other senior management personnel, the Bank's president is ultimately responsible for risk management at the senior management level and reports directly to the Bank's board of directors.

The Bank has established five special committees with risk management functions, namely the risk management and control committee, credit approval committee, IT committee, assets and liabilities management committee and financial management committee. These committees work together to organize, coordinate and review measures for risk management and their implementation.

Risk Management and Control Committee

The Bank's risk management and control committee is primarily responsible for (i) monitoring its daily risk management and internal control activities; (ii) regularly assessing its overall risk status; (iii) approving the disposal of non-performing assets; and (iv) making recommendations for the improvement of risk management and internal control.

The Bank's risk management and control committee consists of its president Mr. Zhang Haishan, and four managers, Mr. Yao Xiaofang (姚曉芳), Mr. Wang Xinglong (王興龍), Mr. Ma Xinli (馬新利) and Mr. Tian Lin (田林). Mr. Zhang is the chairman of the committee. The background information of the members of the committee is as follows:

- *Mr. Zhang Haishan*. See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Zhang's position, responsibilities and work experience;
- *Mr. Yao Xiaofang*. Mr. Yao majored in computerized accounting and has approximately 27 years of experience in the banking industry. He has been the general manager of the Bank's risk management department since April 2010 and is primarily responsible for supervising the Bank's overall risk management and risk monitoring and control;
- *Mr. Wang Xinglong*. Mr. Wang is an intermediate economist accredited by the Personnel Testing Center of Changchun in Jilin province and has approximately 28 years of experience in the banking industry. He has been the general manager of the Bank's asset preservation department since December 2008 and is primarily responsible for collecting and disposing the Bank's non-performing assets, responding to litigations in relation to the Bank's non-performing assets and managing the operation of the Bank's special assets;
- *Mr. Ma Xinli*. Mr. Ma is an intermediate economist accredited by the Jilin Professional Examination Office and has approximately 22 years of experience in the banking industry. He has been the general manager of the risk management division of the Bank's ex-Jiutai

management department since January 2012 and is primarily responsible for coordinating the Bank's overall risk management, collecting and analyzing risk management data and preparing periodic risk management reports; and

- *Mr. Tian Lin*. Mr. Tian is an intermediate economist accredited by the Jilin Professional Examination Office and has approximately 22 years of experience in the banking industry. He has been the general manager of the Bank's compliance management department since November 2010 and is primarily responsible for supervising the Bank's legal and compliance matters, managing operational risk and compliance risk and coordinating back-office support for establishing the Bank's internal control system.

Credit Approval Committee

The Bank's credit approval committee is mainly responsible for (i) reviewing and approving extensions of credit; (ii) providing market knowledge for authorized approval officers; and (iii) ensuring an appropriate balance of rights among authorized approval officers. The credit approval committee reviews all credit business that exceeds the approval authority of vice presidents.

The Bank's credit approval committee consists of one vice president, Mr. Li Guoqiang, and four managers, Mr. Ji Yonghui (季永輝), Mr. Xin Yulong (辛玉龍), Mr. Ding Biao (丁彪) and Mr. Zhang Junhua (張軍華). Mr. Li is the chairman of the committee. The background information of the members of the committee is as follows:

- *Mr. Li Guoqiang*. See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Li's position, responsibilities and work experience;

- *Mr. Ji Yonghui*. Mr. Ji majored in banking management and has approximately 25 years of experience in the banking industry. He has been the deputy manager of the Bank's credit approval department since December 2008 and is primarily responsible for marketing and promotion and business planning of the Bank's corporate banking services;

- *Mr. Xin Yulong*. Mr. Xin is an accountant accredited by the Agricultural Bank of China and has approximately 35 years of experience in the banking industry. He has been the general manager of the Bank's treasury management department since January 2010 and is primarily responsible for formulating and implementing the Bank's internal policies on corporate banking services, marketing, client relationship and client managers and supervising internal control of the Bank's treasury management department;

- *Mr. Ding Biao*. Mr. Ding majored in financial accounting and has approximately 26 years of experience in the banking industry. He has been the deputy manager of the Bank's internal audit department since May 2010 and is primarily responsible for performing independent internal audit of the Bank's business and operation and carrying out disciplinary review of the Bank's employees; and

- *Mr. Zhang Junhua*. Mr. Zhang majored in finance (distance learning) and has approximately 23 years of experience in the banking industry. He has been the deputy manager of the Bank's personal banking department since August 2011 and is primarily responsible for planning, client relationship management, product innovation and marketing of the Bank's personal banking services.

IT Committee

The Bank's IT committee is responsible for (i) reviewing IT development plans; (ii) reviewing and coordinating work plans for IT development; (iii) evaluating management, data and information standards for information technology; (iv) reviewing approvals and system requirements for bank-wide informatization development projects; (v) coordinating the development, testing and maintenance of IT systems; and (vi) reviewing development plans and policies for information safety management system.

The Bank's IT committee consists of one vice president, Ms. Song Xiaoping, and three managers, Mr. Yuan Fuyu (袁福宇), Mr. Wang Yanan (王亞南) and Mr. Bu Dawei (卜大偉), and one administrator, Ms. Xu Liang (徐良). Ms. Song is the chairman of the committee. The background information of the members of the committee is as follows:

- *Ms. Song Xiaoping*. See "Directors, Supervisors and Senior Management—Senior Management" for details of Ms. Song's position, responsibilities and work experience;
- *Mr. Yuan Fuyu*. Mr. Yuan is a senior system analyst accredited by the Jilin Professional Examination Office in May 2005 and a senior system architect accredited by the China National Software and Integrated Circuit Promotion Center (CSIP) of Ministry of Industry and Information Technology in March 2008. Mr. Yuan has approximately 15 years of experience in the information technology industry. He has been the general manager of the Bank's IT department since June 2016 and is primarily responsible for supervising the connection of the IT systems between the Bank and Jilin Province Rural Credit Union, developing the Bank's IT platform and supervising operation and maintenance of the Bank's IT systems. Before joining the Bank, Mr. Yuan assumed various managerial positions at IT-related departments at Jilin Province Rural Credit Union;
- *Mr. Wang Yanan*. Mr. Wang majored in accounting (self-learning) and has approximately 10 years of experience in the information technology industry. He has been the deputy manager of the Bank's IT department since February 2011 and is primarily responsible for formulating and implementing work plan of the Bank's IT department and performing periodic research on IT development;
- *Mr. Bu Dawei*. Mr. Bu is a senior engineer accredited by the Review Panel for Advanced Professional and Technical Positions in Engineering of Agricultural Bank of China and has approximately 29 years of experience in the banking industry. He has been the deputy manager of the IT division of the Bank's rural commercial bank management department since January 2011 and is primarily responsible for assessing IT-related needs of the Bank's various business lines; and
- *Ms. Xu Liang*. Ms. Xu is an engineer accredited by the Qualification Review Panel for Engineers of the Talent Exchange and Development Center of Jilin Province and has approximately 15 years of experience in the information technology industry. She has been a system administrator of the Bank's IT department since July 2012 and is primarily responsible for submitting the Bank's IT-related needs to Jilin Province Rural Credit Union and coordinating with external developers in developing and launching the Bank's IT software and applications.

Assets and Liabilities Management Committee

The Bank's assets and liabilities management committee is primarily responsible for (i) centralized management of the size, structure and proportion of the Bank's asset and liability businesses; (ii) making appropriate adjustments to risk asset management plans in accordance with the Bank's business development strategies; and (iii) evaluating the Bank's internal and external pricing policies and strategies, pricing management mechanism and liquidity management system.

The Bank's assets and liabilities management committee consists of the Bank's president Mr. Zhang Haishan, and six managers, Mr. Liang Shizheng (梁世震), Mr. Liu Guibao (劉桂寶), Mr. Zhang Hailiang (張海良), Ms. Kang Jin (康靖), Ms. Wang Li (王麗) and Mr. Zhang Lei (張磊). Mr. Zhang Haishan is the chairman of the committee. The background information of the members of the committee is as follows:

- *Mr. Zhang Haishan*. See "Directors, Supervisors and Senior Management—Senior Management" for details of Mr. Zhang's position, responsibilities and work experience;

- *Mr. Liang Shizheng*. Mr. Liang is a senior accountant accredited by the Review Panel for Advanced Professional and Technical Positions in Accounting of PBOC and has approximately 35 years of experience in the banking industry. He has been the director of the Bank's treasury management center since June 2012 and is primarily responsible for formulating, implementing and assessing the Bank's policies on assets and liabilities management, business planning of the Bank's assets and liabilities, formulating strategies relating to maturity profile and structure of the Bank's asset and liabilities, and proposing adjustment to business scale to the Bank's financial management committee;

- *Mr. Liu Guibao*. Mr. Liu is an intermediate financial analyst accredited by the Jilin Professional Examination Office and has approximately 24 years of experience in the banking industry. He has been the general manager of the Bank's asset and liability management department since May 2016 and is primarily responsible for formulating plans on management of the Bank's assets and liabilities, monitoring and analyzing the changes to the Bank's assets and liabilities and key indicators and preparing periodic research report on the Bank's assets and liabilities. Before joining the Bank, he assumed various roles at Jilin Province Rural Credit Union, including deputy director of the finance and accounting department, general manager of the strategy and development department and general manager of the planning and finance department;

- *Mr. Zhang Hailiang*. Mr. Zhang is a certified public accountant accredited by the Office of the CPA Examination Committee of the MOF and has approximately 20 years of experience in the banking industry. He has been the head of the Bank's accounting department since January 2012 and is primarily responsible for supervising the Bank's accounting and clearance, treasury management and back-office support for operational risk management;

- *Ms. Kang Jin*. Ms. Kang is an assistant accountant accredited by the MOF and has approximately 27 years of experience in the banking industry. She has been the deputy manager of the Bank's planning and finance department since October 2011 and is primarily responsible for managing the overall amount and structure of the Bank's assets and liabilities, managing and monitoring the Bank's liquidity and position, calculating and monitoring changes to the Bank's capital and supervising interest risk management;

- *Ms. Wang Li. Ms*. Wang is an accounting officer accredited by the Changchun Branch of Agricultural Bank of China in November 1992 and has approximately 26 years of experience in the banking industry. She has been the deputy manager of the finance and operation division of the Bank's ex-Jiutai management department since April 2014 and is primarily responsible for formulating annual business and operation plans, assigning operation targets to the Bank's business lines and performing periodic assessment; and
- *Mr. Zhang Lei*. Mr. Zhang majored in Chinese literature (self-learning) and has approximately 11 years of experience in the banking industry. He has been the deputy director of the statistics and asset management division of the Bank's asset and liability management department since August 2016 and is primarily responsible for formulating and implementing the Bank's policies on asset and liability management, performing periodic assessment of the effectiveness of these policies and proposing annual plan of the Bank's asset and liability business and off-balance sheet business. Mr. Zhang joined the Bank in 2005 and was a staff of the Bank's internal audit department and planning and finance department.

Financial Management Committee

The Bank's financial management committee is responsible for (i) monitoring compliance with national policies and regulations; (ii) overseeing the accuracy, promptness, truthfulness and completeness of financial information; (iii) evaluating the Bank's financial condition and operating performance; (iv) reviewing financial inspections by external institutions and preparing appropriate remediation plans; and (v) reviewing fixed asset purchases, construction and leasing as well as the feasibility of other large purchase plans.

The Bank's financial management committee consists of one vice president, Ms. Song Xiaoping, and four managers, Ms. Kang Jin, Mr. Zhang Hailiang, Mr. Ding Biao and Mr. Chen Huaying (陳華英). Ms. Song is the chairman of the committee. The background information of the members of the committee is as follows:

- *Ms. Song Xiaoping*. See "Directors, Supervisors and Senior Management—Senior Management" for details of Ms. Song's position, responsibilities and work experience;
- *Mr. Zhang Hailiang*. Mr. Zhang is a certified public accountant accredited by the Office of the CPA Examination Committee of the MOF and has approximately 20 years of experience in the banking industry. He has been the head of the Bank's accounting department since January 2012 and is primarily responsible for supervising the Bank's accounting and clearance, treasury management and back-office support for operational risk management;
- *Ms. Kang Jin*. Ms. Kang is an assistant accountant accredited by the MOF and has approximately 27 years of experience in the banking industry. She has been the deputy manager of the Bank's planning and finance department since October 2011 and is primarily responsible for managing the overall amount and structure of the Bank's assets and liabilities, managing and monitoring the Bank's liquidity and position, calculating and monitoring changes to the Bank's capital and supervising interest risk management;
- *Mr. Ding Biao*. Mr. Ding majored in financial accounting and has approximately 26 years of experience in the banking industry. He has been the deputy manager of the Bank's

internal audit department since May 2010 and is primarily responsible for performing independent internal audit of the Bank's business and operation and carrying out disciplinary review of the Bank's employees; and

- *Mr. Chen Huaying*. Mr. Chen is an enterprise human resources manager (Level II) accredited by the Occupational Skill Testing Authority of the Ministry of Human Resources and Social Security and has approximately 11 years of experience in the banking industry. He has been the deputy manager of the Bank's human resources department since November 2010 and is primarily responsible for formulating the Bank's policies on recruitment, employee remuneration and benefits and employee performance assessment.

Risk Management Departments

The functions of the Bank's risk management departments are as follows:

Loan Approval Department

- formulates and updates credit approval policies, rules and systems and supervises their implementation; and
- inspects and approves transactions within its authority.

Corporate Business Department

- initiates, establishes and implements standards and administrative measures for the Bank's corporate business;
- initiates and establishes development plans for the Bank's corporate business, and manages and guides market development and planning for all corporate business departments;
- carries out post-loan management and quality inspections for assets and collateral provided by corporate customers; and
- manages the acceptance of daily credit approval applications and submits reports to the loan approval department and/or credit approval committee for credit investigation and approval in accordance with the Bank's rules on credit approval management.

Personal Business Department

- initiates and establishes development plans and administrative measures for the Bank's personal business;
- responsible for promoting and managing credit and certificates of deposit of the Bank's personal business;
- carries out post-loan management and quality inspections for assets and collateral provided by retail customers; and
- manages the acceptance of daily credit approval applications and submits reports to the loan approval department and/or credit approval committee for credit investigation and approval in accordance with the Bank's rules on credit approval management.

Financial Market Department

- controls credit risks in businesses such as the Bank's bond repurchasing and interbank borrowing businesses;
- manages liquidity through financial market instruments; and
- manages interbank customers and develops the Bank's interbank customer base and interbank business.

Interbank Bills Department	• establishes administrative measures and operational rules for the Bank's bill business; • manages credit limits for the Bank's interbank business; and • controls credit risks in the Bank's bill business.
Wealth Management Department	• responsible for formulating systems, procedures and risk management measures for treasury operations conducted on behalf of customers. • responsible for developing wealth management products according to demands of customers; and • responsible for investing and managing wealth management products.
Investment Banking Management Department	• formulates the system and operational rules for investments in debt instruments issued by other financial institutions and manages counterparty screening; • reviews the Bank's investment banking business within the authorized scope; and • provides pre-investment business evaluations and post-investment management for the Bank's investment banking business.
Legal Compliance Department	• establishes systems, rules and procedures for the management of legal matters; • responsible for compliance risk management, ensuring that the Bank's operations comply with market standards, and establishing and maintaining an effective remedial mechanism; • in charge of operational risk management, including the establishment of the Bank's operation risk management system and the Bank's policy research and management system; • proposes procedures for credit business management authorizations and authorization changes; and • reviews compliance issues related to rules and policies, new products and businesses and contracts.
Assets and Liabilities Management Department	• establishes the Bank-wide assets and liabilities system and establishes related management systems, policies and procedures; • analyzes macro-economic conditions and the Bank's business operational conditions, and proposes the Bank's annual operating plan; and • manages the Bank's capital adequacy ratio, interest rate risk of bank accounts, required reserves, liquidity risk and pricing for the Bank's intermediary business and position.
Management Office	• leads the Bank's daily management of reputational risks.

IT Department	•	responsible for the development, planning and management of information technology;
	•	maintains the Bank's computer and IT systems;
	•	cooperates closely with external service providers to prevent and control IT risks; and
	•	develops supporting systems for the Bank's business departments and supervises outsourced IT projects.
Risk Management Department	•	coordinates comprehensive risk management and the allocation of risk management resources and establishes comprehensive risk management policies and systems;
	•	responsible for the use of risk modeling tools;
	•	establishes policies, systems and procedures for credit review;
	•	reviews and reports on non-performing assets;
	•	organizes the Bank's credit business review; and
	•	leads the development of the Bank's internal credit risk rating system.
Internal Audit Department	•	responsible for the supervision, evaluation and audit of risk management.

Risk Management System

Authorization management system

The Bank has established measures for authorization management to grant annual basic authorizations for operational, financial, human resources and other affairs in the Bank's normal operations within the Bank's statutory scope of business. The Bank may also grant temporary special authorizations for transactions that exceed the scope of basic authorizations, special financing transactions and new businesses. While the Bank's headquarters grants authorizations directly to specific personnel, authorized personnel may delegate authority to other personnel within their scope of authority, provided proper approvals or reporting have been made.

The Bank grants and properly adjusts authorizations to different grantees in accordance with their operational management performance, management role and employment status. The relevant personnel must report on and obtain authorization for business and other affairs that are beyond their authority in compliance with the Bank's Measures for Authorization Management.

Credit Management System

The Bank's credit management system includes the following:

- **Credit management for all credit customers**—In accordance with the CBRC's Work Guidance for Credit Management of Commercial Banks (商業銀行授信工作盡職指引), the Bank determines the credit limit for each customer primarily based on factors such as (i) the operational and financial condition and repayment history of the borrower, (ii) the intended purpose of the loans, and (iii) the collateral or guarantees for the loans.
- **Strengthening uniform credit management for group customers**—In order to identify and control concentration risks arising from group customers, the Bank does not extend

credit to any group customer in excess of 15% of its regulatory capital. The Bank uniformly determines credit limits for group customers to prevent parallel credit extension from multiple branches.

- **Separate systems for credit investigation and credit review**—Different departments and staff have separate responsibilities for credit investigations, assessments and decisions. The Bank strictly complies with credit authorization and business approval processes to ensure the independence of and checks and balances among each step of its credit approval process.
- **Strengthening the management of the credit business procedure**—The Bank has formulated specific administrative measures for each stage of credit extension, including pre-loan investigations, credit reviews and approvals, loan distributions, post-disbursement management, segregation of positions and functions, reporting mechanisms and staff accountability.
- **Strengthening the management of the Bank's acceptance business**—The Bank has formulated specific administrative measures for its acceptance bill business, discounted bill business and other bill businesses to ensure that its acceptance business complies with laws, regulations and regulatory requirements and to prevent the use of false trading information or the use of loan proceeds for security deposits.
- **Strengthening the management of loan classifications**—The Bank has established refined loan classification measures based on the loan risk classifications formulated by the CBRC to precisely evaluate its credit risks.
- **Strengthening the management of corporate customers**—The Bank has formulated a sophisticated system for credit ratings of corporate customers to evaluate credit risks for each type of corporate customer.
- **Strengthening the risk awareness of employees**—The Bank encourages employees to strictly comply with risk management policies and systems by enacting strict penalties for non-compliance and for issues identified in its internal audits.

Credit Risk Management

Credit risk is the risk of loss related to a failure by a debtor or counterparty to meet its contractual obligations or to a change in their credit ratings. The Bank's credit risks arise mainly from corporate loans, personal loans and treasury operations.

The Bank's credit risk management structure includes its president, chief officers and risk management committee, persons-in-charge of branches and sub-branches, credit approval committees or groups and its risk management, business, marketing and internal audit departments.

The Bank prepares annual credit approval plans, credit limit plans and credit policies based on national and regional economic development plans, financial market conditions, austerity requirements, its asset and liability structure and deposit and loan growth trends.

The Bank uses the following working mechanisms to manage credit risks:

- **Customer screening mechanism—**The Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.

- **Credit exit mechanism—**The Bank reassesses its outstanding credit risk on a regular basis based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (1) financial condition, (2) substantial shareholders, (3) key managers and technicians, (4) customers quality, (5) payment ability and (6) business environment.
- **Risk alert mechanism—**The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and provide timely disposal advice.
- **Non-performing asset disposal mechanism—**The Bank has established an accountability mechanism for the disposal of non-performing assets.

The Bank has established a system to manage the extension of corporate and personal loans. As part of this system, the Bank has taken measures to improve credit risk management that include identifying risks, monitoring policies and dividing responsibilities among its credit investigation, approval and execution departments. The Bank also sets departmental authorization limits and monitor the use of loan proceeds.

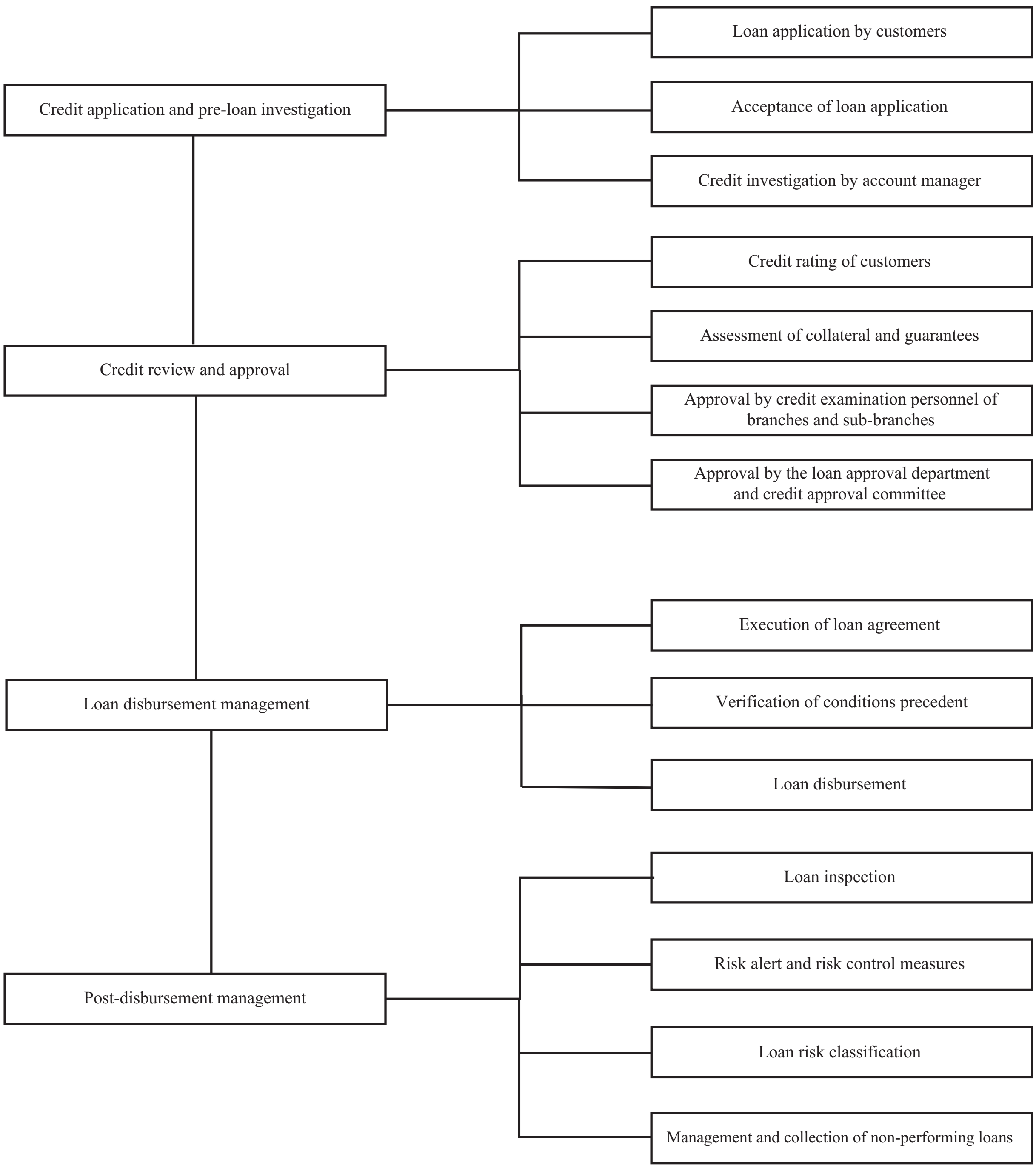
Credit Risk Management for Corporate Loans

The Bank manages credit risks by conducting credit applications and pre-loan investigations, credit reviews and approvals, and through loan disbursement and post-disbursement management.

The Bank's business focuses on SMEs. Its risk management system and loan review procedures are based on target SME borrowers and industries. The Bank makes adjustments for existing customers and new customers based on their size, business and industry. The Bank has regulations for all types of corporate customers. To control corporate loan risks, the Bank considers not only operating cash flows and primary repayment sources, but also security, such as collateral, as a secondary repayment source. Generally, the Bank only offers unsecured loans to limited premium customers. The Bank manages credit approvals using loan approval teams that are familiar with the borrowers and their industries.

Basic Corporate Credit Procedures

The risks arising from the Bank's various credit businesses vary greatly. In order to unify credit risk management, the Bank has adopted unified risk management procedures for corporate loans that include pre-loan investigation, credit review and approval, loan disbursement management, post-disbursement management, risk monitoring and risk alerts. The following chart shows the Bank's corporate credit business procedures:



Credit Application

Customers initiate the credit approval process by applying for credit limits, credit products or credit terms.

Pre-loan Due Diligence Review

Credit investigations are conducted by both chief and assistant investigators. The investigators conduct on-site inspections and review basic corporate credit information to verify customers' condition. This investigation focuses particularly on a customer's background and repayment ability and incentives. The investigators prepare investigation reports that set forth a potential borrower's basic condition, major strengths and weaknesses, competitive strengths, development prospects and financial indicators.

Customer Credit Rating

The Bank's rating system includes analyses of a number of factors, such as a customer's industry, core business, creditworthiness, debt repayment ability, asset-liability ratio, net operating cash flow, profitability, competitiveness, prospects and banking history with the Bank. The Bank has adopted an eight-grade credit-rating system and the Bank adjusts ratings annually based on financial and non-financial factors and credit history. Credit ratings are subject to additional adjustments on the occurrence of certain events, such as three consecutive years of losses, material litigation or material connected transactions. Assessment results are valid for one year. Customer credit ratings are evaluated by branch and sub-branch account managers.

Collateral and Guarantee Appraisal

The Bank requires security for corporate loans. Mortgages and pledges are the most common forms of security that the Bank accepts. The Bank generally accepts collateral such as land use rights, commercial, industrial and residential buildings, forest rights, accounts receivable, equity interests in companies and RMB deposit receipts. The Bank requires staff in charge to give priority to collateral the value of which is easy to ascertain and be cautious about accepting collateral that is difficult to maintain or realize or subject to significant fluctuations in value. The Bank also requires third-party appraisals of collateral if the loan principal exceeds RMB200,000 and is secured by collateral with relatively significant value.

Secured loan amounts may not exceed the Bank's maximum loan-to-value ratio limits. The Bank determines the loan-to-value ratio based on a borrower's credit standing, business, operations, risk profile, and the nature and realizable value of collateral. Loan-to-value ratio limits for corporate loans secured by major types of collateral are set forth below:

Collateral	Loan-to-value ratio
Mortgages	
Commercial properties	no more than 70%
Industrial properties	no more than 60%
Houses and residential apartments	no more than 60%
Business properties	no more than 60%
(Transferred) Secured land use rights	no more than 70%
Pledges	
Equity interests in companies	no more than 70%
Account receivables	no more than 50%
RMB deposit receipts	no more than 90%
Operation rights of commercial vehicles	no more than 50%
Financial bonds	no more than 90%

The Bank internally appraises the value of collateral on a quarterly basis, and may engage professional appraisal institutions to reappraise the collateral if there is any material decrease in its value. The Bank also conducts internal or third-party reappraisal upon the occurrence of any significant risk incidents that could materially affect the value of the collateral or the borrower's repayment ability. These risk incidents include, among others, (i) significant decrease in the market price of the collateral, (ii) deterioration of the borrower's financial condition, (iii) bankruptcy or restructuring process initiated by the borrower, and (iv) reclassification of the loan from performing to non-performing. The Bank may require borrowers to provide additional collateral or make early repayment if the collateral is significantly impaired. As of the Latest Practicable Date, based on the periodic post-disbursement inspections the Bank had conducted, it was not aware of any material depreciation in the value of collateral for any corporate loan that resulted in its request for additional collateral for or early repayment of that loan.

For guaranteed loans, the Bank evaluates guarantors using the same procedures and standards applicable to borrowers. In addition, the Bank evaluates a guarantor's ability to provide a guarantee, contingent liabilities and economic relationship with the applicant. Generally, the Bank accepts guarantees only from guarantors that can provide sufficient collateral. However, the Bank also accepts unsecured guarantees of listed companies or guarantee companies. For guarantee companies, the Bank evaluates the value and quality of collateral provided by borrowers to guarantee companies before accepting the guarantees.

Credit Review and Approval

For risk control purposes, before submitting reports for approval, the Bank thoroughly examines credit investigation reports and other information, analyze the major risks of extending credit and recommend specific risk prevention measures.

The Bank has a multi-tiered credit extension system. The Bank's credit approval department can directly approve an extension of credit within RMB5.0 million. For transactions exceeding its authorization limits, the credit approval department is required to conduct preliminary reviews and submits review opinions to the Bank's credit approval committee for approval.

The Bank's reporting, review and approval of credit is managed through its credit management system. The system prevents unauthorized approvals by automatically determining the authorized approval officers based on preset requirements.

The Bank's small enterprises financial service center is authorized to review and approve secured loans of no more than RMB10.0 million. It uses a "2+1+1" credit review and approval model. The model includes two investigators from the small enterprises financial service center, one risk management personnel from the Bank's head office and one authorized approval officer from the small enterprises financial service center.

During the review and approval process, the two investigators from the small enterprises financial service center conduct an examination to confirm the accuracy of the credit review. The risk management personnel has an independent veto right and is responsible for controlling credit risks from the Bank's perspective. The authorized approval officer from the small enterprises financial service center ultimately approves all credit business of the small enterprises financial service center to ensure compliance with laws and regulations and proper risk management.

Loan Disbursement

Loan disbursement is subject to the completion of guarantee procedures, execution of contracts and verification of resolutions. The Bank also requires cross examination by two officers, and two witnesses for certain procedures such as registration of pledges, sealing of contracts and collection of important documents.

Post-disbursement Management

The Bank's post-disbursement management consists of post-disbursement inspection, risk monitoring and alerts, loan classification and management of non-performing loan.

Post-disbursement inspection. The Bank carries out periodic post-disbursement inspections and implement necessary corrective measures to reduce default risks. Account managers conduct regular assessments, which include monitoring the use of loan proceeds as well as the general condition, financial position, operations and management of borrowers and guarantees. They also monitor financing from other banks and the condition of collateral.

Risk monitoring and alert. The Bank actively monitors, identifies and controls risks that could lead to a deterioration of its asset quality. The Bank's risk management department regularly organizes and analyzes risk information and assesses general risk levels. The risk management department designates specific personnel to track and monitor key customers, industries and risk events. The Bank has established a risk alert system and contingency mechanism to identify customer risks in its business activities and issue timely alerts. The system also allows the Bank to promptly implement contingency plans to control and resolve risks.

Loan classification. Based on CBRC's five loan categories, the Bank classifies corporate loans into ten categories, including three types of normal loans, three types of special-mention loans, two types of substandard loans, one type of doubtful loans and one type of loss loans. Substandard, doubtful and loss loans are considered non-performing loans. Risk classification is based on the following factors: (i) the repayment ability and record of borrowers; (ii) the willingness of borrowers to make payments; (iii) the profitability of credit projects; (iv) guarantees; (v) legal responsibility for repayment; and (vi) current risk management circumstances. The Bank's risk management department adjusts loan classifications on a quarterly basis. When filing its loan classifications with banking regulators, the Bank converts its classifications into the five-category classification standard to comply with regulatory requirements.

Management of non-performing loans. The Bank actively manages non-performing loans to reduce credit risks by developing separate strategies and disposal proposals for every non-performing loan. The Bank's asset protection department is responsible for the collection, management and disposal of distressed assets, while the Bank's legal compliance department is responsible for legal review and investigations relating to the disposal of non-performing loans. To collect on non-performing loans, the Bank issues overdue notices to borrowers and guarantors, meet with them in person and negotiate repayment plans. If the Bank fails to recover non-performing loans through the above measures, it enforces guarantees, seek judicial recovery, accept payment in kind or, in some cases, write-off the loans.

Credit Risk Management for Loans to the Real Estate Industry

Credit risks for loans to the real estate industry arise from property development loans granted to real estate developers. The Bank has improved its risk management for loans to the real estate industry by adopting the following measures:

- The Bank sets credit limits for real estate loans;
- The Bank manages the types of developers to whom the Bank extends credit for real estate projects. The Bank prioritizes leading regional real estate developers and, at the same time, seeks to strengthen its cooperation with large national developers. The Bank also cautiously cooperates with small and medium developers; and
- For real estate development project loans, the Bank conducts reviews that focus on evaluating the finances of developers and the nature, location, cost and sales prospects of projects. The Bank also considers whether all necessary government approvals and licenses have been obtained.

Credit Risk Management for Loans to Industries with Overcapacity

Pursuant to State Council and CBRC restrictions on industries with overcapacity, the Bank has strengthened its risk management for loans to these industries. The Bank has set industry loan limits, with strict control over loans to steel, coal and other industries with significant overcapacity. The Bank does not extend new loans in these industries other than to industry leaders which have significant competitive advantages, comply with energy conservation and environmental protection standards and have technology that complies with government policies.

Credit Risk Management for Retail Loans

The credit risk management procedures for the Bank's retail loan business include pre-loan investigation, credit review and approval, loan disbursement and post-disbursement management.

Loan Application and Pre-loan Investigation

Borrowers of retail loans must submit loan applications together with all requested information, including their financial position, occupation, sources of income, indebtedness, credit history and use of proceeds. As part of the Bank's pre-loan investigation, two account managers are responsible for collecting supporting documents and meeting with applicants. When the principal amount of the loans exceeds RMB200,000 and the value of the collateral is relatively high, the Bank requires a third-party appraisal of the collateral.

Credit Review and Approval

The Bank reviews retail loan applications based on a number of factors, including the completeness of the information provided as well as the credit profile, income level and repayment ability of applicants. The Bank also considers the value of collateral, interest rates and whether repayment methods satisfy its requirements.

After review, applications for personal consumption loans are submitted to authorized approval officers at the Bank's sub-branches for review and approval. Authorized approval officers are responsible for approving projects within their authorization limits. Loan applications exceeding these limits are submitted to the Bank's credit approval department for consideration. Residential and commercial mortgage loans are reviewed and approved in accordance with personal consumption loan procedures. Personal business loans are reviewed and approved in accordance with corporate loan procedures. See "—Risk Management of the Bank—Credit Risk Management—Credit Risk Management for Corporate Loans—Credit Review and Approval".

Loan Disbursements

Disbursement procedures for retail loans are similar to those for corporate loans. Loans are disbursed upon the satisfaction of all conditions precedent. See "—Risk Management of the Bank—Credit Risk Management—Credit Risk Management for Corporate Loans—Loan Disbursement".

Post-disbursement Management

The Bank's account managers are responsible for post-disbursement management of retail loans. After disbursement, account managers monitor changes in borrower repayment ability and the value of collateral. They also perform on- and off-site inspections of borrowers and guarantors to identify potential risks, issue risk alerts and implement contingency plans. When the Bank determines that there is a significant risk of default, it requires borrowers to provide additional repayment sources, suspend further drawdowns or provide additional guarantees. The Bank's retail loans are classified into five categories, namely normal, special-mention, substandard, doubtful and loss. The Bank evaluates loans on a quarterly or ad hoc basis and adjust the classifications as needed. The post-disbursement management of retail loans is similar to that of corporate loans, see "—Risk Management of the Bank—Credit Risk Management—Credit Risk Management for Corporate Loans—Post-disbursement Management".

Credit Risk Management of Loans to Rural Households

The Bank has established Administrative Measures for Loans to Rural Households (農戶貸款管理辦法) to provide guidance and assign risk management responsibilities for loans to rural households. The Bank uses fair, transparent and efficient procedures when extending loans to rural households to control risks and ensure that transactions are mutually beneficial.

Management procedures for loans to rural households include account opening, rating, marketing, application acceptance and review, credit investigations, approval, disbursement, post-disbursement management and follow-up adjustment.

The Bank does not extend credit to rural households for industries, businesses, products or projects forbidden by the government, customers who do not satisfy its credit requirements or customers without satisfactory guarantors or collateral.

The Bank's post-disbursement management of loans to rural households is based on its post-disbursement requirements for retail loans while taking into account the special nature of loans to rural households. Accordingly, the Bank conducts on-site examinations, telephone interviews and examinations of account records.

Credit Risk Management for Treasury Operations

The Bank's treasury operations include money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers.

Credit Risk Management for Money Market Transactions

The Bank's inter-bank business includes interbank placements, interbank deposits, financial assets purchased under resale agreements and bill rediscounting. The interbank bills department is responsible for managing credit lines for inter-bank customers. The department reviews and approves credit lines granted to inter-bank customers and timely adjusts limits based on customer operating conditions. The Bank monitors operational changes of the actual bearer of credit risks and external factors that could affect their ability to honor contractual obligations so that it can timely respond to early risk warnings. To reduce risks in bill rediscounting business, the Bank has established operational rules that require the completion of payment forms for sales of notes under repurchase agreements and the arrangement of payment upon receipt of note certificates.

Credit Risk Management for Investments in Securities and Other Financial Assets

The Bank's securities and other financial asset investments include bonds and debt instruments issued by other financial institutions.

Bond investments. The Bank's bond investments include investments in government bonds, policy bank bonds, bonds issued by other banks and financial institutions and bonds issued by other domestic institutions in the PRC. The Bank manages risks in its bond investment business with reference to external investment criteria and with credit limit controls and credit risk assessments. Bond issuers are also included in the Bank's unified credit extension management system.

For interest-bearing securities, such as government bonds and policy bank bonds, the Bank has an automatic credit extension policy. The Bank categorizes and manages the credit limits of issuers of debentures, and the Bank's loan approval department determines credit limits of the issuers based on external appraisal results. After an investment in bonds, the Bank's front office employees and personnel in related risk management departments monitor and regularly evaluate the credit risks of the bonds.

Debt instruments of other financial institutions. The Bank's investments in debt instruments of other financial institutions include asset management plans, trust plans, wealth management products issued by other financial institutions and beneficiary certificates issued by securities companies.

- **Asset Management Plans.** The Bank manages the risks of asset management plans through the following measures:
  - The Bank conducts stringent examinations of the financial assets of asset management plans to ensure that it understands the nature of the underlying transactions;
  - The Bank has a multi-tiered approval process for investments in asset management plans. The Bank's business departments conduct due diligence investigations on the underlying assets and/or asset managers based on their specific circumstances. Authorized approval officers responsible for legal compliance then review legal documents and the rights and obligations of all parties to the investment. The Bank makes investments in asset management plans only after receiving final approval from the investment banking project approval team; and
  - The Bank has standard requirements for post-investment management of asset management plans and trust plans. The Bank requires account managers to conduct post-investment inspections on a quarterly basis and submit reports to persons in charge of the relevant department for approval and to the investment banking management department for filing. The Bank conducts monthly post-investment inspections on investments with overdue principal and interest payments.
- **Trust plans.** The Bank manages the risks of investments in trust plans through the following measures:
  - The Bank has established a counterparty approval system to evaluate the qualification and management ability of trustees. Only counterparties that meet the Bank's requirements are included on its list of qualified trustees;
  - According to the Bank's agreements with trust companies, trust companies must effectively manage trust plans. When trust companies identify risks that could adversely impact the Bank's investments, they must promptly notify the Bank so that it can take measures to mitigate risks; and
  - When trust companies are unable to receive the agreed upon returns or recover principal amounts from counterparties, the Bank requires them to initiate legal action to minimize losses, including litigation and enforcement of security and pledge.
- **Wealth management products issued by other financial institutions.** The Bank has adopted a centralized review and approval system for investments in wealth management products. The Bank's branches may not approve investments in wealth management products.
  - The Bank examines the operations, financial position, regulatory compliance, risk profile, asset management capability and other credit risk indicators of financial institutions that manage and issue wealth management products. The Bank determines reasonable investment limits based on the Bank's assets and liabilities structure and credit approval regulations;
  - The Bank requires financial institutions that manage and issue wealth management products to expressly define the use of funds in the wealth management agreement. They may not conduct any transactions without the Bank's approval; and

  - The Bank has strict approval standards for investments in non-principal-guaranteed wealth management products. In order to reduce counterparty risks, the Bank evaluates financial institutions to ensure that they have the necessary qualification and financial strength.

- **Beneficiary certificates issued by securities companies.** The Bank manages the credit risks of beneficiary certificates issued by securities companies using the following methods:

  - The Bank has established a screening mechanism for cooperating institutions. The Bank reviews the qualifications and management abilities of securities companies before approving any cooperation;

  - The Bank's business departments conduct due diligence investigations on investment projects and obtain approval from authorized approval officers before making investments;

  - Beneficiary certificates issued by securities companies are managed in strict accordance with the Bank's credit requirements; and

  - The Bank has improved the Bank's transaction document filing and post-project management.

Treasury operations conducted on behalf of customers

The Bank manages funds received from issuing wealth management products to corporate and retail customers.

- The Bank has established a wealth management department for the centralized administration of wealth management products to ensure compliance with CBRC requirements regarding segregation of accounts, risk isolation, regulated conduct and unified management;

- The Bank conducts entry examinations, pre-investment due diligence investigations, risk inspections and post-investment risk management to control the use of proceeds from wealth management products;

- The Bank performs market forecasts and analyses to select appropriate investment targets. The Bank also closely monitors liquidity risks, including mismatches between the maturities of wealth management products and investment assets;

- The Bank complies with CBRC requirements in strengthening its management of limits on assets of non-standard credit and improve its management of risk category limit indicators and risk concentration indicators. The Bank also provides investors with timely disclosures of relevant information; and

- The Bank has improved its accounting records for wealth management products by accounting for principal-protected products as balance sheet items and non-principal-protected products as off balance sheet items.

Credit Risk Management for Off-balance Sheet Business

The Bank classifies its off-balance sheet businesses based on whether or not it is required to bear any credit risk. The Bank has implemented unified credit extension management for businesses in which it bears credit risks. The Bank's credit extension management includes investigations, reviews, credit planning, credit limits and reviews of operational structures for customers and end-users.

Information System for Credit Risk Management

The Bank uses information technology to improve credit risk management. The Bank has contracted with Jilin Province Rural Credit Union (吉林省農村信用社聯合社) to develop its credit data management system and other information technology. The Bank uses its credit extension system for post-lending management and the review and approval of applications for credit. The system can also be used for the monitoring and analyses of the Bank's credit extension businesses. For details on the Bank's arrangement with Jilin Province Rural Credit Union, see "Business—Information Technology".

The Bank has taken measures to ensure the credit data security of its management system. The system has employee authorization limits that prevent employees from engaging in activities not related to their duties. The Bank also conducts regular on-site and off-site examination to ensure the proper use and maintenance of equipment and systems.

Market Risk Management

Market risk is the risk of loss in on- and off-balance sheet positions arising from fluctuations in market prices due to interest rates, exchange rates and other market factors. The Bank is exposed to market risk primarily through its banking and trading business portfolios. The market risks associated with the banking business portfolio of the Bank include interest rate risk and exchange rate risk. The primary market risks associated with the Bank's trading business portfolio are fluctuations in the market value of trading positions, which are affected by movements in observable market variables, such as interest and exchange rates. The principal objective of the Bank's market risk management is to limit potential market losses to acceptable levels based on its risk appetite while seeking to maximize risk adjusted returns.

The Bank's organizational structure for market risk management includes its front, middle and back offices. The Bank's board assumes ultimate responsibility for management of market risk. The Bank's senior management implements market risk management strategies and policies as approved by its board. The Bank's business departments implement market risk management measures in their daily operations.

Market risk management includes the identification, measuring and monitoring of market risk. The Bank has formulated a basic policy for market risk management, namely, Provisional Measures for Market Risk Management (市場風險管理暫行辦法). The Bank has also established authorization limits and internal approval procedures for products based on factors such as market risk tolerance, business strategies and market conditions for specific products. The Bank sets different exposure limits and take different quantitative measures to manage market risks arising from banking and trading accounts. The Bank controls market risks by balancing different positions, controlling credit limits and decreasing risk exposure.

Market Risk Management for the Banking Book

Interest Rate Risk Management

Interest rate risk is the risk of loss due to uncertainties relating to changes in interest rates. The Bank is exposed to interest rate risks due to mismatches in maturity dates or repricing dates of its interest rate sensitive assets and liabilities. Maturity or repricing date mismatches may cause changes in net interest income and economic value due to fluctuations in prevailing interest rates. The Bank is exposed to interest rate risks in its day-to-day lending and deposit-taking activities and its treasury operations. The Bank manages interest rate risks arising from its banking accounts by adjusting its mix of assets and liabilities. The Bank adjusts the mix of assets and liabilities through resetting interest rates for different types of products, developing new products and promoting asset securitization. The Bank is currently researching the use of stress tests, scenario analysis, repricing gap analysis, duration gap analysis and interest rate sensitivity analysis to measure its exposure to potential interest rate changes.

Exchange Rate Risk Management

The Bank is exposed to exchange rate risk due to mismatches in the currency denominations of its assets and liabilities and in the terms of foreign exchange transactions. The Bank manages exchange rate risk by matching the sources and uses of funds. The Bank seeks to minimize the impact of exchange rate fluctuations by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, the Bank minimizes transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank timely closes positions from major transactions and revalues non-monetary balance sheet items daily to prevent exchange rate risks.

Market Risk Management for Trading Book

Market risk in the Bank's trading book arises from fluctuations in the value of financial instruments due to changes in interest and exchange rates. The Bank revalues its trading account positions daily, continuously monitor trading limits, stop-loss limits and risk limits and monitor market risk using measures such as stress testing. The Bank limits investments in a particular bond issued to no more than 30% of the total amount of such bond. The Bank sets a risk limit at no more than 5% of its risk-weighted assets after considering the minimum capital adequacy ratio required by the regulators. In addition, the Bank performs stress tests every quarter to assess the impact on its net capital caused by an assumed 200 basis point increase in market interest rates. The Bank manages its portfolio such that the stress-test impact on its net capital would not exceed 5%.

Operational Risk Management

Operational risk refers to the risk of loss caused by corporate governance issues, incomplete internal control procedures, failures of employee and IT systems or external events. Operational risk events include internal and external fraud and errors and malfunctions of risk and IT systems relating to customers, products and operations.

The Bank's board of directors is ultimately responsible for operational risk management and reviewing operational risk policies. The Bank's senior management is responsible for coordinating daily operational risk management. The Bank's legal compliance department leads the management of operational risks and is responsible for the daily monitoring, identification, evaluation and control of operational risks and reporting to senior management. The risk management departments, all business departments, branches and sub-branches are integral to the Bank's operational risk management framework. The Bank manages and controls operational risks through reporting, balancing authority and supervision systems. The Bank has adopted the following measures to monitor, identify, evaluate, control and mitigate operational risks:

- The Bank has established an operational risk management system and related policies and procedures to strictly divide the duties of front, middle and back offices, and to optimize operational and risk management procedures;
- The Bank has streamlined systems and management processes for all business lines. The Bank has established operating procedures, including system design, allocation of duties, supervision and examination and punishment;
- The Bank has implemented a standardized authorization management. The Bank grants basic authorizations on an annual basis for operations management, financial management, human resources management and other administrative affairs. Special authorization is required for any special event or issue beyond the scope of basic authorizations;
- The Bank has established an internal control system and it updates the system from time to time. The Bank continues to improve its operational risk management based on business development and regulatory requirements. In particular, for new products and services, the Bank has improved its management of internal control system and procedures for counter business;
- The Bank has strengthened its management of risk control checkpoints in key business processes and it seeks to control risks arising from fraud and deceit. The Bank continues to strengthen its management of business procedures, evaluate major risk checkpoints in its business processes and establish standardized business operating procedures. Based on business development needs, the Bank organizes employee trainings from time to time to ensure employees meet the technical requirements of key positions. These trainings also help improve the general strength of the Bank's workforce, improve their risk identification abilities, protect consumer interests and the prevention, identification and evaluation of fraud. In addition, the Bank has increased education on professional ethics to prevent collusion between employees and third parties; and
- The Bank focuses on strengthening its supervision and monitoring of new organizations, risk control weak points and major operational problems.

Liquidity Risk Management

Liquidity risk refers to the risk of failure to liquidate a position in a timely manner or failure to acquire sufficient funds to fulfill payment obligations. Liquidity risk is largely affected by external factors such as domestic and international financial conditions, macroeconomic policies, changes in financial markets and competitive strengths of the banking industry. Liquidity risk is also affected by internal factors such as the balance and maturity profile of assets and liabilities, the stability of deposits and ability to obtain financing. The Bank's liquidity risk management aims to identify, measure, monitor and control liquidity risks. The Bank also seeks to balance the safety, liquidity and efficiency of its funds business to support sustainable, healthy and stable operations.

The Bank has established an effective liquidity management and decision-making system. The Bank's assets and liabilities management committee is ultimately responsible for liquidity risk management and the review and approval of the Bank's liquidity risk appetite, strategies and policies and procedures. The committee receives periodic liquidity risk reports on major changes and potential liquidity risks.

The Bank's assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

The Bank continues to expand its fund raising channels to maintain a reasonable balance between net capital and risky assets. The Bank has a diversified capital replenishment system to increase capital and adjust and improve its capital structure through the issuance of tier-two capital bonds and subordinated fixed rate bonds. Additionally, the Bank strives to optimize its assets and liabilities structure to maintain a reasonable balance between the growth of net capital and risky assets.

The Bank has implemented various measures to control liquidity risk, including:

- centralizing cash flow and position limit management;
- establishing a reporting system for large fund flows and a reasonable allocation of funds to increase returns on assets;
- monitoring key indicators of liquidity risks, including liquidity ratio, liquidity gap ratio, the excess reserve rate of Renminbi, surplus deposit reserve ratio, loan to deposit ratio, percentage of medium and long term loans, percentage of deposits from top ten customers and liquidity coverage ratio;
- using funds transfer pricing to guide business and adjust the maturity profile of assets and liabilities;
- conducting periodic cash flow analyses and liquidity stress tests to identify potential liquidity risks and develop mitigation measures;
- designating officers to monitor liquidity and establish effective reporting procedures and channels; and
- developing a liquidity risk alert system and follow-up procedures.

Reputational Risk Management

Reputational risk is the risk of negative publicity caused by the Bank's operations, management, other activities and external events. The Bank's reputational risk management aims to identify, monitor, manage and minimize reputational risk, build a positive corporate image and maintain sustainable development. The Bank proactively enhances its corporate image and brand awareness through publicity of business achievements, quality of service and social responsibility.

The Bank's board of directors bears ultimate responsibility for reputational risk management. The Bank's risk management committee is responsible for establishing policies and guidelines for reputational risk management. The Bank's senior management is responsible for overall reputational risk management. The office is responsible for the daily management of reputational risk.

The Bank's major management measures for reputational risk include:

- formulating a system framework for reputational risk management to define relevant duties and responsibilities;
- supervising employee performance of duties to minimize negative risk events;
- analyzing public opinion, investigating reputational risk and analyzing channels of reputational risk and related incidents;
- implementing a public opinion reporting system and classification systems for reputational events and public opinion;
- formulating contingency plans with clear procedures for reputational risk;
- standardizing external information disclosure and the clarification of any false or incomplete information; and
- improving internal training on reputational risk management.

Legal and Compliance Risk Management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aim to establish a sound and comprehensive compliance risk management structure.

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system.

The Bank has a two-tier legal and compliance risk management structure. The Bank's legal compliance department is in charge of legal and compliance affairs as well as legal affairs management. It regularly updates senior management on legal and regulatory developments. It also handles communications with the PBOC and the CBRC. Furthermore, the legal compliance department is responsible for drafting and reviewing contracts and other legal documents, management of trademark registration, legal and compliance risk analysis of mergers and acquisitions and new products. The legal compliance department is also responsible for management and guidance on litigation relating to non-contentious legal issues, litigation cases (other than asset preservation and loan collection litigations) and internal legal training, and the provision of legal consulting services to all business departments and sub-branches. To better manage litigation risk, the Bank has appointed legal counsel to provide professional legal support for the Bank's daily operations and management, and external legal counsel to provide professional legal services for major business conflicts and litigations. The Bank has established branch level legal compliance departments or part-time positions as needed. If there is no legal compliance department, risk management officers at branches are responsible for legal and compliance risk management. The Bank also provides guidance and conduct periodic trainings to improve legal and compliance risk management at branches.

The Bank's major management measures for legal and compliance risk include:

- **Regulations and rules**—The Bank pays close attention to the latest developments in laws, regulations and standards applicable to its business operations, and implement and promote regulatory requirements and principles within the Bank;
- **Compliance training and education**—The Bank organizes regular compliance trainings and provide education on compliance alerts. The Bank has established a legal consulting system to provide consultation services for all operating units regarding legal issues encountered during its daily operations and management;
- **Identification and evaluation of compliance risk**—The Bank monitors and evaluates compliance risks, prepare regular reports, conduct analyses on compliance risk and formulate relevant solutions;
- **Development of a culture of compliance**—The Bank actively promotes lawful operations and a culture of compliance. The Bank provides guidelines on compliance risk alerts and case studies, and guide and supervise all business departments, branches and sub-branches to strengthen their culture of compliance;
- **Compliance accountability**—The Bank's Compliance Accountability Rules (合規問責制度) defines the rules, organizational structure, procedures and reporting system for accountability. The Bank holds employees accountable for any violations of rules or dereliction of duty; and
- **Whistle-blower system**—The Bank has adopted a whistle-blower system to encourage employees to report non-compliance events. The Bank preserves the anonymity of all whistle-blowers.

IT Risk Management

IT risk refers to the operational, reputational, legal and other risks arising from information technologies due to natural factors, man-made factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure the safe and stable operation of the Bank and promote business innovation through the application of advanced information technology.

The Bank has an IT committee to supervise and guide IT activities. IT risks are covered by the Bank's risk management system. The IT department is responsible for the implementation of specific risk management measures, plans and proposals.

The Bank's IT risk management measures include:

- The Bank has established an effective and flexible basic structure consisting of its board, senior management, IT committee, IT department, relevant business departments, risk management department, internal audit department and all branches and sub-branches;
- The Bank manages and controls IT risk through a three-line defense system. The first line of defense consists of IT department and the relevant business departments, which are responsible for the overall operation and management of information technology. The second line of defense consists of the Bank's risk management department who are responsible for IT risk management and providing advice to business and IT departments.

The third line of defense is the Bank's internal audit department, which is responsible for monitoring the implementation and effectiveness of the abovementioned improvement;

- In accordance with regulatory requirements, the Bank has established systems, procedures and implementation rules for the management of information technology;
- The Bank has set up an IT outsourcing risk management system with defined outsourcing management principles and strategies to eliminate the risks associated with outsourcing.

Anti-Money Laundering Management

The Bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC.

The Bank's major anti-money laundering management measures include:

- **Organizational structure**—The Bank's anti-money laundering steering group is established under the legal compliance department. It is mainly responsible for convening meetings of anti-money laundering steering group, taking actions against rules violations or negligent conduct during anti-money laundering operations and reducing or controlling related risks by strengthening or improving the Bank's steering group processes and rules. The Bank's board of directors is ultimately responsible for the management of anti-money laundering risks, and senior management implements anti-money laundering policies and procedures;
- **Development of management systems**—The Bank has established systems and implemented rules to identify, evaluate, supervise, control and report on anti-money laundering risks;
- **Customer identification**—The Bank has established rules for customer identification and for recording and maintaining customer information;
- **Development of information monitoring and reporting system**—The Bank has set up an anti-money laundering information monitoring and reporting system to report large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center (中國反洗錢監測分析中心) on a daily basis. The Bank also reports all suspected money laundering activities to the local branch of the PBOC and cooperate in anti-money laundering investigations; and
- **Strengthened anti-money laundering training**—The Bank provides anti-money laundering training and related promotional activities and evaluations. The Bank requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

Internal Audit

The Bank's internal audit seeks to ensure strict compliance with laws and regulations and effective implementation of its internal rules, policies and operating guidelines. The Bank's internal audit also aims to inspect and assess the comprehensiveness, prudence and effectiveness of its internal control and improve its operational and management abilities. The Bank has adopted an independent and vertical internal audit organizational framework consisting of the audit committee of board of directors and internal audit department. The audit committee supervises and oversees director and senior management activities, including business decisions, financial management, risk management, internal controls and other activities. The committee also audits all departing directors and senior management personnel and requires remedial measures if necessary.

The internal audit department is responsible for the Bank's internal audit and has designated auditors who perform independent audits, supervision and assessments and provide independent advice. The internal audit department formulates internal audit policies, prepares and implements annual audit plan, inspects bank-wide management, evaluates internal control, supervises branches and conducts follow-up audits.

The Bank's internal audit follows the principles of independence, importance, prudence, objectivity, correlation and efficiency. The Bank focuses on and seeks to prevent major operational risks. The Bank carries out audits and supervision of its business operations, finance and accounting, risk profile and effectiveness of internal control. The Bank also audits the performance of responsibilities for key positions. The internal audit department performs its duties through on-site audits, off-site audits, routine audits and special audits. Generally, it conducts routine audits at least twice a year and special audits, follow-up audits and off-site audits on a case-by-case basis.

The Bank strengthens the audits and supervision of the business practices and daily operations of the Bank's staff through position exchanges or ad-hoc audits to prevent operational and ethical risks. Every year, the Bank conducts audits through position exchanges for key personnel of two branches, including back-office presidents (in charge of accounting), treasurers, accounting clerks, accounting officers of rural loans and integrated tellers. These audits also include a comprehensive examination of business operations and management work over the prior three years. The Bank conducts examinations on the above key positions to strengthen the effectiveness of its audits and to identify, remedy and prevent errors, deviations, faults and omissions.

The Bank also conducts at least three ad-hoc audits per year, focusing on the major risks, key processes and key positions of its regional business operations. The Bank has increased supervision of counter business prohibitions through ad-hoc inspections to identify potential risks and further standardize the implementation of its policies.

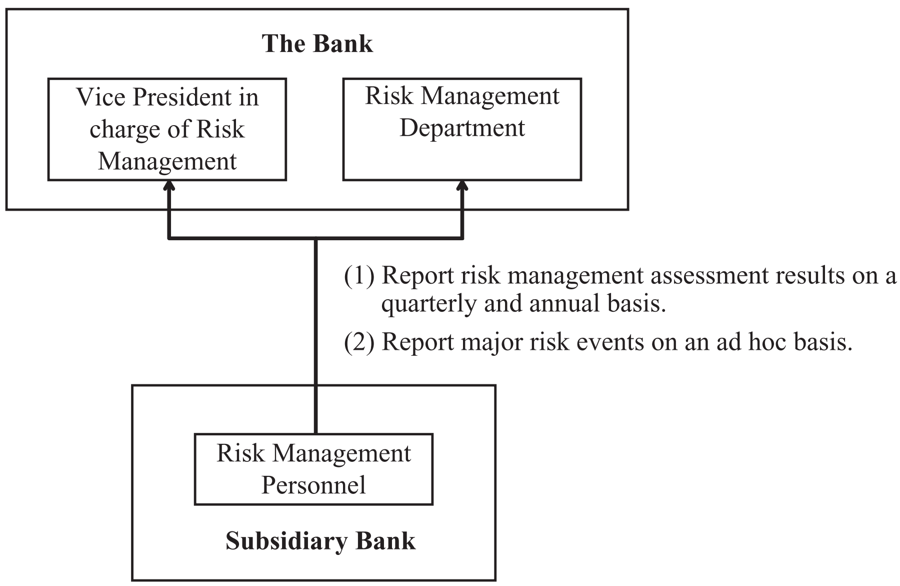
RISK MANAGEMENT OF THE SUBSIDIARY BANKS

As a separate legal entity, each subsidiary bank has established a risk management and internal control system in accordance with the applicable regulatory requirements.

The Bank participates in formulating the risk management policies and strategies of each subsidiary bank through the Bank's board representatives. The Bank supervises and monitors the implementation of the risk management processes of the subsidiary banks through the risk management personnel sent or designated by the Bank and through the Bank's village and township bank management department.

- **Risk management personnel**: the Bank assists the subsidiary banks in improving their risk management and internal control systems by sending or designating risk management personnel to guide and monitor the implementation of risk management and internal control processes and policies. These risk management personnel then help each subsidiary bank to improve its risk management system with reference to the risk management system of the Bank and formulate risk management policies that are consistent with the Group's overall risk and return preferences. These risk management personnel report risk management assessment results on a quarterly and annual basis, and major risk events on an ad hoc basis directly to the Bank's vice president in charge of risk management and the risk management department of the Bank.

The following table sets forth the reporting process of the risk management personnel sent or designated by the Bank.



- **Village and township bank management department**: the Bank also supervises the risk management of the village and township banks through the risk management sub-department of its village and township bank management department. For example, through its village and township bank management department, the Bank issues guidance and circulars to village and township banks to enhance awareness of risks associated with their businesses and measures to be complied with to manage those risks as and when needed.

In addition, the Bank will appoint an independent, experienced and reputable accounting firm as its risk management advisor after the Listing to enhance its supervision over the implementation of the risk management systems and procedures of the Bank and the subsidiary banks. The risk management advisor will assess and directly report on a quarterly basis to the Bank's board of directors regarding the development, enhancement, sufficiency and adequacy of the risk management system of the Bank and the subsidiary banks, individually and together as a whole. The independent non-executive directors of the Bank will then report the development, enhancement, sufficiency and adequacy of the risk management system of the Bank and the subsidiary banks, individually and together as a whole based on the risk management advisor's findings in the annual report after the Listing.

Although the Group does not have an integrated IT system or any real-time or daily financial reporting system for its subsidiary banks, the Bank has engaged a third-party developer to develop a consolidated financial reporting system. This system serves as a platform through which the Bank gathers the necessary data from each subsidiary bank for preparing the consolidated financial information and for monitoring intra-group transactions. The Bank requires each subsidiary bank to upload its financial data to the consolidated financial reporting system on a monthly, quarterly, semi-annual and annual basis. The Bank can also request for additional or up-to-date information on an as needed basis. The Bank then calculates and analyzes the risk management indicators of each subsidiary bank to monitor and assess the Group's overall risk exposure. The Bank did not implement any internal policies to require more frequent reporting of financial data to the consolidated financial reporting system because it believes that the current financial reporting frequency is sufficient for regulatory compliance and risk management purposes because (1) neither the Bank nor any of the subsidiary banks had been notified of administrative or regulatory penalties for failing to comply with the periodic reporting requirements imposed by CBRC, (2) inspections and reviews by the PRC regulatory authorities during the Track Record Period did not identify any significant risk or material non-compliance events relating to regulatory compliance or risk management, and (3) King & Wood Mallesons, the Bank's PRC legal adviser, has advised the Bank that there are no PRC laws that require more frequent reporting of the statements as set forth under the Notice on the Official Operation of Off-site Supervision Information System in 2007 (關於非現場監管信息系統2007年正式運行的通知) issued by the CBRC than on a monthly basis.

The subsidiary banks have formulated comprehensive risk management policies and measures. Set forth below is a summary of the major aspects of these policies and measures.

Risk Management Organizational System

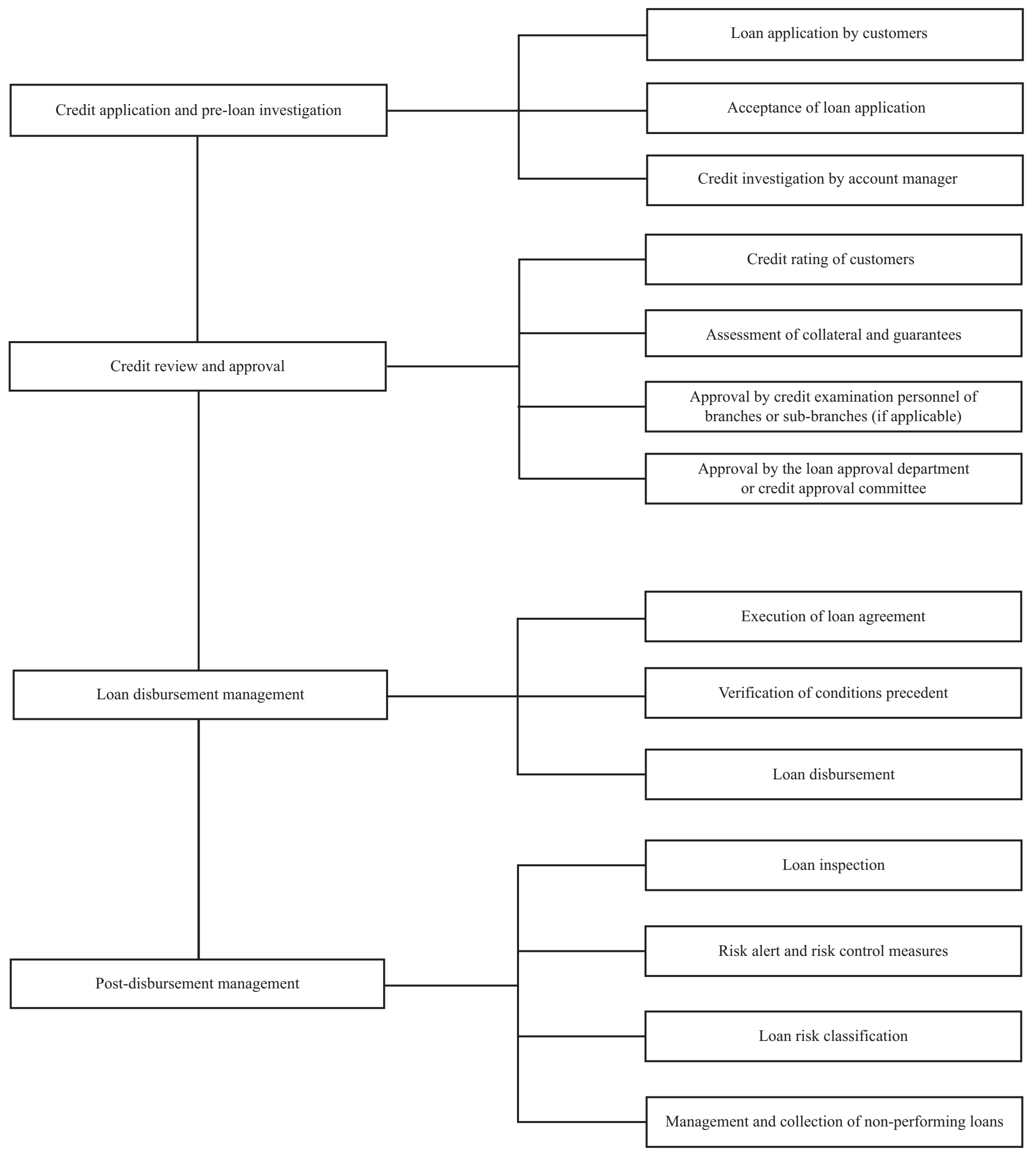
Each subsidiary bank has established a multi-layer risk management organizational system that primarily consists of (1) the board of directors that is ultimately responsible for risk management, (2) various special committees under the board of directors, which are responsible for proposing risk management strategies, policies and targets and reviewing accounting policies, financial reports and risk and compliance conditions, (3) the board of supervisors, which is primarily responsible for monitoring the compliance by the board of directors and senior management with risk management laws, regulations and internal policies, and (4) senior management and various special committees, which implement the risk management policies, strategies, plans and policies determined by the board of directors and coordinate risk management activities.

Credit Risk Management

The respective policies of the subsidiary banks provide for the management of credit risk through various mechanisms, including customer screening mechanism, credit exit mechanism, risk alert mechanism and non-performing asset disposal mechanism.

Credit Risk Management for Corporate Loans

The respective policies of the subsidiary banks provide for the management of credit risks through credit applications and pre-loan investigations, credit reviews and approvals, and through loan disbursement and post-disbursement management as illustrated by the chart below.



Credit Application

Customers are to initiate the credit approval process by applying for credit limits, credit products or credit terms.

Pre-loan Due Diligence Review

Credit investigators are to conduct on-site inspections and review basic corporate credit information to verify customers' background and repayment ability and incentives.

Customer Credit Rating

The respective policies provide for a credit-rating system and adjustments a customer's credit rating annually and upon the occurrence of certain events, such as consecutive years of losses, material litigation or material connected transactions.

Collateral and Guarantee Appraisal

Each bank generally requires security for corporate loans, including mortgages, pledges, land use rights, commercial, industrial and residential buildings, forest rights, accounts receivable, equity interests in companies and/or RMB deposit receipts. Secured loan amounts may not exceed a bank's maximum loan-to-value ratio limits. Each bank determines the loan-to-value ratio based on a borrower's credit standing, business, operations, risk profile, and the nature and realizable value of collateral.

Each bank internally appraises the value of collateral on a regular basis, and may engage professional appraisal institutions to reappraise the collateral if there is any material decrease in its value. Each bank also conducts internal or third-party reappraisal upon the occurrence of any significant risk incidents that could materially affect the value of the collateral or the borrower's repayment ability.

Credit Review and Approval

Each bank has adopted a multi-tiered credit extension system. The credit approval department or business department of each bank can directly approve an extension of credit within certain pre-determined limits. For transactions exceeding its authorization limits, the credit approval department or business department is required to conduct preliminary reviews and submits review opinions to loan review committee or credit approval committee for approval.

Post-disbursement Management

The respective policies require each bank to conduct post-disbursement management of corporate loans through (1) closely monitoring the use of loan proceeds and the financial position and operation of borrowers and guarantors, (2) a risk alert system and contingency mechanism to identify customer risks and issue alerts, (3) classifying corporate loans into different categories based on CBRC's five loan categories and adjusting the loan classifications on a regular basis.

Credit Risk Management for Retail Loans

Loan Application and Pre-loan Investigation

Borrowers of retail loans must submit loan applications that include information on their financial position, occupation, sources of income, indebtedness, credit history and use of proceeds. Account managers of each bank are responsible for collecting supporting documents and meeting with applicants.

Credit Review and Approval

Each bank is to retail loan applications based on a number of factors, including the credit profile, income level and repayment ability of loan applicants, as well as the value of collateral, interest rates and repayment methods.

Post-disbursement Management

Each bank is to post-disbursement management of retail loans through (1) closely monitoring changes in borrower repayment ability and the value of collateral, (2) performing on- and off-site inspections of borrowers and guarantors, and (3) classifying retail loans into normal, special-mention, substandard, doubtful and loss.

Credit Risk Management for Treasury Operations

Some of the subsidiary banks also engage in money market transactions and invest in debt securities. Below is a summary of these banks' prescribed risk management procedures and measures relating to their treasury businesses.

- *Credit Risk Management for Money Market Transactions*. Each bank reviews and approves credit lines granted to inter-bank customers and timely adjusts limits based on customer operating conditions. Each bank also monitors operational changes of the actual bearer of credit risks and external factors that could affect their ability to honor contractual obligations.
- *Credit Risk Management for Investments in Debt Securities*. Each bank manages the credit risk for investment in debt securities through (1) a counterparty screening mechanism to evaluate the qualification and creditworthiness of cooperating financial institutions, (2) due diligence investigations on the underlying transactions and (3) post-investment inspections.

Market Risk Management

The respective policies require each bank to manage interest rate risks arising from its banking accounts by adjusting the mix of assets and liabilities through resetting interest rates for different types of products and developing new products. Each bank also revalues its trading account positions on a regular basis and closely monitors trading limits, stop-loss limits and risk limits and monitor market risk using measures such as stress testing.

Operational Risk Management

Each bank has established an operational risk management system and related policies and procedures to strictly divide the duties of front, middle and back offices.

Liquidity Risk Management

The respective policies provide for the management of liquidity risk through (1) a reporting system for large fund flows and a reasonable allocation of funds to increase returns on assets, (2) closely monitoring movements in key liquidity indicators, (3) adjusting the maturity profile of assets and liabilities, and (4) conducting periodic cash flow analyses and liquidity stress tests.

Reputational Risk Management

The respective policies of each bank provide for the management of reputational risk through (1) a system framework that clearly defines duties and responsibilities, (2) a public opinion reporting system and classification systems for reputational events and public opinion, and (3) contingency plans with clear procedures for handling reputational risk.

Legal and Compliance Risk Management

The respective policies of each bank provide for the management of legal and compliance risk through (1) regular compliance training, and (2) a whistle-blower system to encourage employees to report non-compliance events.

IT Risk Management

Each bank has formulated comprehensive procedures and policies to manage IT risks. Each of them has also established business continuity management and contingency plans to manage the risk of business interruption.

Anti-Money Laundering Management

Each bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each bank reports suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center individually as a separate legal entity in accordance with the relevant regulatory requirements.

Internal Audit

Each bank has designated auditors who perform independent audits, supervision and assessments and provide independent advice.