
CONNECTED TRANSACTIONS

Transactions that the Group enter into with its connected persons will constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules. These transactions that will continue following the Listing Date will constitute continuing connected transactions under the Hong Kong Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Extending loans and credit facilities to, and taking deposits from, connected persons

The Bank is a commercial bank incorporated in the PRC under the supervision of the CBRC and the PBOC. It provides commercial banking services in the ordinary and usual course of business to the public in China. The Bank extends loans and credit facilities to, and take deposits from, the Group's connected persons, such as the Bank's directors, supervisors, president, substantial shareholder and/or their respective associates, in the ordinary and usual course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. After the Listing, the Bank expects to continue to extend loans and credit facilities to, and taking deposits from, the Group's connected persons, which will constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. These continuing connected transactions will be entered into in the ordinary and usual course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. Accordingly, they are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.87(1) of the Hong Kong Listing Rules (financial assistance provided by the listed issuer's group) and Rule 14A.90 of the Hong Kong Listing Rules (financial assistance received by the listed issuer's group).

2. Providing banking services and products to connected persons and purchasing trust products from a connected person

The Bank provides various commercial banking services and products (including wealth management products) to certain connected persons in the ordinary and usual course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. After the Listing, the Bank expects to continue to provide these banking services and products to the Group's connected persons, which will constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

In the ordinary and usual course of the Bank's business and on normal commercial terms, the Bank entered into certain trust agreements with Jilin Province Trust Co., Ltd., the Bank's substantial shareholder, pursuant to which Jilin Province Trust Co., Ltd. would invest the Bank's entrusted assets into specified asset management schemes managed by third party financial institutions pursuant to the Bank's instruction, and charge a certain percentage of the amount of the Bank's entrusted assets as its annualized trust management fees. The trust schemes under these trust agreements will mature in 2017.

Save as disclosed in this section, the highest applicable percentage ratios of these transactions calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, these transactions constitute *de minimis* transactions, and therefore are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

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3. Property leasing between the Bank and certain connected persons

On January 1, 2012, the Bank entered into a property leasing agreement with Jilin Province Trust Co., Ltd., the Bank's substantial shareholder. Pursuant to the agreement, Jilin Province Trust Co., Ltd. leased a property to the Bank as its office space in Jilin province, with a leasing term until December 31, 2016 and at an annual rent of RMB700,000.

On February 10, 2016, the Bank entered into a property leasing agreement with Mr. Wu Shujun, a non-executive director of the Bank. Pursuant to the agreement, Mr. Wu Shujun leased a property to the Bank as its office space in Jilin province, with a leasing term until February 11, 2017 and at an annual rent of RMB1,604,000.

The above transactions are conducted on normal commercial terms no less favorable than those offered by independent third parties. As the highest applicable percentage ratios of the above transactions calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transactions contemplated under the above property leasing agreements constitute *de minimis* transactions, and therefore are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Pursuant to the Hong Kong Listing Rules, the following parties will be the Group's connected persons in respect of certain non-exempt continuing connected transactions:

<u>Name</u>	<u>Connected relationship</u>
Jilin Dehui Rural Commercial Bank	As of the Latest Practicable Date, Jilin Province Trust Co., Ltd., the substantial shareholder of the Bank, holds 10.0% equity interest in Jilin Dehui Rural Commercial Bank, a non-wholly-owned subsidiary of the Bank. Jilin Province Trust Co., Ltd. will continue to be the substantial shareholder of the Bank immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). Jilin Dehui Rural Commercial Bank is therefore a connected person of the Group by virtue of Rule 14A.07(5) of the Hong Kong Listing Rules.
Jilin Chuncheng Rural Commercial Bank	As of the Latest Practicable Date, Jilin Province Trust Co., Ltd., the substantial shareholder of the Bank, holds 10.0% equity interest in Jilin Chuncheng Rural Commercial Bank, a non-wholly-owned subsidiary of the Bank. Jilin Province Trust Co., Ltd. will continue to be the substantial shareholder of the Bank immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). Jilin Chuncheng Rural Commercial Bank is therefore a connected person of the Group by virtue of Rule 14A.07(5) of the Hong Kong Listing Rules.

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Name	Connected relationship
TBA Asset Management Co., Ltd. (or “TBA”)	As of the Latest Practicable Date, Jilin Province Trust Co., Ltd., the substantial shareholder of the Bank, holds approximately 61.3% equity interest in China Nature Asset Management Co., Ltd., which in turn holds 42.0% equity interest in TBA Asset Management Co., Ltd. Jilin Province Trust Co., Ltd. will continue to be the substantial shareholder of the Bank immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised). TBA Asset Management Co., Ltd. is an associate of Jilin Province Trust Co., Ltd. and therefore a connected person of the Group by virtue of Rule 14A.07(4) of the Hong Kong Listing Rules.

1. Purchase of Wealth Management Products by Jilin Dehui Rural Commercial Bank from the Bank

In the ordinary and usual course of business, the Bank entered into certain wealth management products purchase agreements (the “**Dehui Wealth Management Agreements**”) with Jilin Dehui Rural Commercial Bank in October 2015, November 2015 and April 2016, respectively. The balance of investments under the Dehui Wealth Management Agreements was RMB1,201.0 million as of June 30, 2016.

Principal Terms

The principal terms of the Dehui Wealth Management Agreements are set out as follows:

- Jilin Dehui Rural Commercial Bank purchased certain non principal-guaranteed floating-income wealth management products issued by the Bank, which will mature in 2017 and 2018, respectively.
- The expected maximum annualized return on investment to be received by Jilin Dehui Rural Commercial Bank ranges from 5.6% to 8.5% (net of custodian fee).
- Upon the maturity of the wealth management products, the Bank will return Jilin Dehui Rural Commercial Bank the remaining value of the entrusted assets after deducting the asset custodian fee, cost of sales and tax payable. If the actual return on investment exceeds the expected maximum annualized return on investment, the excess will be the investment management fees of the Bank. If the actual return on investment falls below the expected maximum annualized return on investment, the Bank will not receive any investment management fees.
- The Bank will reinvest all the entrusted assets under the Dehui Wealth Management Agreements in the asset management schemes managed by third party financial institutions.

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Historical Figures

The investment management fees received by the Bank pursuant to the Dehui Wealth Management Agreements for each of the three years ended December 31, 2015 and the six months ended June 30, 2016 are as follows:

	Historical figures			
	For the year ended December 31,			Six months ended
	2013	2014	2015	June 30, 2016
	(in millions of RMB)			
Investment management fees received by the Bank	—	—	1.9	6.0

Annual Caps

Since the transactions under the Dehui Wealth Management Agreements are similar in nature, they are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Hong Kong Listing Rules. The Bank's directors estimate of the aggregate annual caps for the investment management fees receivable by the Bank from Jilin Dehui Rural Commercial Bank for the three years ending December 31, 2018 under the Dehui Wealth Management Agreements are set out in the table below:

	Annual caps		
	For the year ending December 31,		
	2016	2017	2018
	(in millions of RMB)		
Investment management fees receivable by the Bank	12.2	28.1	2.5

Determination Basis of Annual Caps

When estimating the annual caps for the investment management fees receivable by the Bank, the Bank's directors have considered, among other things, the following factors:

- Under the Dehui Wealth Management Agreements, the Bank can receive the investment management fee only if the actual return on investment exceeds the expected maximum annualized return on investment.
- The Bank reinvests all the entrusted assets under the Dehui Wealth Management Agreements in the asset management schemes managed by third party financial institutions. The asset management agreements between the Bank and these third party financial institutions explicitly provide for the expected maximum annualized return on investment receivable by the Bank.

Based on (1) the expected maximum annualized return on investment payable by the Bank under the Dehui Wealth Management Agreements, and the expected maximum annualized return on investment receivable by the Bank under the asset management agreements between the Bank and third party financial institutions, and (2) the amount of the entrusted assets and maturity of the products under the Dehui Wealth Management Agreements, the Bank's directors can estimate the maximum investment management fees receivable by the Bank under the Dehui Wealth Management Agreements for the three years ending December 31, 2018.

CONNECTED TRANSACTIONS

Pricing Basis

The pricing basis of the investment management fees receivable by the Bank under the Dehui Wealth Management Agreements is as follows:

- (1) The Bank obtained the then prevailing market prices of wealth management products through a variety of sources on a regular basis, and calculated a competitive price of wealth management products taking into account the demand for the wealth management products and the cost of the Bank.
- (2) If the wealth management products were also available for subscription by parties other than the connected persons, the expected maximum annualized return on investment offered to the connected persons and the determination mechanism of the investment management fees receivable by the Bank were applicable to all other investors of these wealth management products.

2. Purchase of Wealth Management Products by Jilin Chuncheng Rural Commercial Bank from the Bank

In the ordinary and usual course of business, the Bank entered into certain wealth management products purchase agreements (the “**Chuncheng Wealth Management Agreements**”) with Jilin Chuncheng Rural Commercial Bank in November 2015, March 2016 and April 2016, respectively. The balance of investments under the Chuncheng Wealth Management Agreements was RMB1,180.0 million as of June 30, 2016.

Principal Terms

The principal terms of the Chuncheng Wealth Management Agreements are set out as follows:

- Jilin Chuncheng Rural Commercial Bank purchased certain principal-guaranteed and non principal-guaranteed wealth management products issued by the Bank, which will mature in 2017 and 2018, respectively.
- The expected maximum annualized return on investment to be received by Jilin Chuncheng Rural Commercial Bank ranges from 5.0% to 6.5% (net of custodian fee).
- Upon the maturity of the wealth management products, the Bank will return Jilin Chuncheng Rural Commercial Bank the remaining value of the entrusted assets after deducting the asset custodian fee, cost of sales and tax payable. If the actual return on investment exceeds the expected maximum annualized return on investment, the excess will be the investment management fees of the Bank. If the actual return on investment falls below the expected maximum annualized return on investment, the Bank will not receive any investment management fees.
- The Bank will reinvest all the entrusted assets under the Chuncheng Wealth Management Agreements in the asset management schemes managed by third party financial institutions.

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Historical Figures

The investment management fees received by the Bank under the Chuncheng Wealth Management Agreements for each of the three years ended December 31, 2015 and the six months ended June 30, 2016 are as follows:

	Historical figures			
	For the year ended December 31,			Six months ended
	2013	2014	2015	June 30, 2016
	(in millions of RMB)			
Investment management fees received by the Bank	—	—	0.6	6.5

Annual Caps

Since the transactions under the Chuncheng Wealth Management Agreements are similar in nature, they are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Hong Kong Listing Rules. The Bank's directors' estimate of the aggregate annual caps for the investment management fees receivable by the Bank from Jilin Chuncheng Rural Commercial Bank for the three years ending December 31, 2018 under the Chuncheng Wealth Management Agreements are set out in the table below:

	Annual caps		
	For the year ending December 31,		
	2016	2017	2018
	(in millions of RMB)		
Investment management fees receivable by the Bank	25.1	15.7	3.3

Determination Basis of Annual Caps

When estimating the annual caps for the investment management fees receivable by the Bank, the Bank's directors have considered, among other things, the following factors:

- Under the Chuncheng Wealth Management Agreements, the Bank can receive the investment management fee only if the actual return on investment exceeds the expected maximum annualized return on investment.
- The Bank reinvests all the entrusted assets under the Chuncheng Wealth Management Agreements in the asset management schemes managed by third party financial institutions. The asset management agreements between the Bank and these third party financial institutions explicitly provide for the expected maximum annualized return on investment receivable by the Bank.

Based on (1) the expected maximum annualized return on investment payable by the Bank under the Chuncheng Wealth Management Agreements, and the expected maximum annualized return on investment receivable by the Bank under the asset management agreements between the Bank and third party financial institutions, and (2) the amount of the entrusted assets and maturity of the products under the Chuncheng Wealth Management Agreements, the Bank's directors can estimate the maximum investment management fees receivable by the Bank under the Chuncheng Wealth Management Agreements for the three years ending December 31, 2018.

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Pricing Basis

The pricing basis of the investment management fees receivable by the Bank under the Chuncheng Wealth Management Agreements is as follows:

- (1) The Bank obtained the then prevailing market prices of wealth management products through a variety of sources on a regular basis, and calculated a competitive price of wealth management products taking into account the demand for the wealth management products and the cost of the Bank.
- (2) If the wealth management products were also available for subscription by parties other than the connected persons, the expected maximum annualized return on investment offered to the connected persons and the determination mechanism of the investment management fees receivable by the Bank were applicable to all other investors of such wealth management products.

3. Specified Asset Management Agreements between the Bank and TBA

In the ordinary and usual course of the Bank's business, the Bank, TBA (as asset manager) and independent third party commercial banks regulated by the CBRC (as asset custodian) entered into certain specified asset management agreements (the "**TBA Asset Management Agreements**") in July, September, November and December 2015 and January and February 2016, respectively. The Bank invests the entrusted assets from third parties (including but not limited to the Group's connected persons such as Jilin Dehui Rural Commercial Bank and Jilin Chuncheng Rural Commercial Bank as disclosed above) and the Bank's own funds in specified asset management schemes managed by TBA. The balance of investments under the TBA Asset Management Agreements was RMB6,798.5 million as of June 30, 2016. The Bank will not make further investments in the relevant specified asset management schemes under the TBA Asset Management Agreements. If the Bank enters into transactions with TBA in future, the Bank will comply at all times with applicable requirements under Chapter 14A of the Hong Kong Listing Rules.

Principal Terms

The principal terms of TBA Asset Management Agreements are set out as follows:

- TBA shall operate and manage the entrusted assets in accordance with the terms and conditions of the TBA Asset Management Agreements subject to the supervision of the asset custodian. The asset management schemes under the TBA Asset Management Agreements will expire in 2017 and 2018, respectively.
- The expected maximum annualized return on investment of the entrusted assets ranges from 6.52% to 8.60%, the annualized management fee rate payable by the Bank to TBA ranges from 0.05% to 0.47%, and the annualized custody fee rate payable by the Bank to the asset custodian is 0.01%.
- The assets entrusted by the Bank to TBA for management is separated from the assets of TBA and the asset custodian. All monetary value deriving from the management and operation of the entrusted assets shall form part of the entrusted assets.
- The Bank will make specific investment instructions to TBA on the use of the entrusted assets and TBA shall invest the entrusted assets in accordance with the instructions of the Bank.

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- TBA shall prepare quarterly report of the entrusted assets and submit it to the asset custodian for review, after which TBA shall disclose the information on investment performance to the Bank. During the term of the agreements, the Bank can make enquiry on the investment to TBA or the asset custodian from time to time and TBA or the asset custodian (as the case may be) shall reply to the Bank's enquiry promptly.

Historical Figures

The management fees paid by the Bank to TBA under the TBA Asset Management Agreements for each of the three years ended December 31, 2015 and the six months ended June 30, 2016 are as follows:

	Historical Figures			
	Year ended December 31,			Six months ended
	2013	2014	2015	June 30, 2016
	(RMB million)			
Management fee paid by the Bank	—	—	1.0	5.8

Annual Caps

Since the transactions under the TBA Asset Management Agreements are similar in nature, they are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Hong Kong Listing Rules. The Bank's directors' estimate of the aggregate annual caps for the management fees payable by the Bank to TBA for the three years ending December 31, 2018 under the TBA Asset Management Agreements are set out in the table below:

	Year ending		
	December 31,		
	2016	2017	2018
	(RMB million)		
Management fee payable by the Bank	14.6	8.5	2.2

Determination Basis of Annual Caps

TBA charges a certain percentage of the amount of the Bank's entrusted assets as its asset management fee. Based on the asset management fee rate, the amount of the Bank's entrusted assets and the maturity of the asset management products under each TBA Asset Management Agreement, the Bank's directors can estimate the maximum asset management fees payable by the Bank to TBA under the TBA Asset Management Agreements for each of the three years ending December 31, 2018.

Pricing Basis

The rate of the management fee payable by the Bank to TBA under the TBA Asset Management Agreements ranges from 0.05% to 0.47%, which is determined through arm's length negotiation by taking into account various factors, including the prevailing management fee rate of comparable asset management schemes available on the market and the estimated maximum annualized return on investment offered by TBA.

Implications under the Hong Kong Listing Rules

As the highest applicable percentage ratio of the annual caps for the transactions under the Dehui Wealth Management Agreements, Chuncheng Wealth Management Agreements and TBA Asset

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Management Agreements are expected to be more than 0.1% but less than 5%, these transactions are subject to the announcement, reporting and annual review requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Waiver Application

The Bank has applied to the Hong Kong Stock Exchange pursuant to Rule 14A.105 of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted the Bank, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules in respect of the transactions contemplated under the Dehui Wealth Management Agreements, Chuncheng Wealth Management Agreements and TBA Asset Management Agreements. However, in respect of the non-exempt continuing connected transactions, the Bank will comply at all times with other applicable requirements under Chapter 14A of the Hong Kong Listing Rules.

Confirmation

Confirmation from the Bank's Directors

The Bank's directors (including the independent non-executive directors) consider that (i) it is in the Group's interests to continue the non-exempt continuing connected transactions with the Group's connected persons as disclosed above after the Listing of the H Shares, (ii) all such continuing connected transactions have been entered into and will be carried out in the ordinary and usual course of the Bank's business, on normal commercial terms, and (iii) such transactions and the proposed annual caps set for these transactions are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

In addition, the Bank will comply with the reporting requirements and disclose the details of all continuing connected transactions disclosed under the section "—Non-exempt Continuing Connected Transactions" above in the Bank's subsequent annual reports for the three financial years ending December 31, 2018 pursuant to Rules 14A.49 and 14A.71 of the Hong Kong Listing Rules. Upon expiry of the waiver after December 31, 2018, the Bank shall re-comply with the applicable provisions of Chapter 14A of the Hong Kong Listing Rules as amended from time to time.

Confirmation from the Sole Sponsor

After due and careful enquires, taking into account the information and representation provided by the Bank, the Sole Sponsor is of the view that: (i) the non-exempt continuing connected transactions under the Dehui Wealth Management Agreements, Chuncheng Wealth Management Agreements and TBA Asset Management Agreements were entered into and will be carried out in the ordinary and usual course of the Bank's business, on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the proposed annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Shareholders as a whole.